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The general outline of the Summary is keyed to the outline in Part III of "Major Problems of the United States Foreign Policy, 1947—A Study Guide." Variations in this outline may occur from time to time with changes in the course of current history and the resultant shifts in the problems confronting the United States. Any major variations of this kind will be noted in the Introduction to each issue of the Summary.

The material in this Summary is based on publicly available official documents bearing on the events recorded and on information contained in selected American and foreign newspapers. Every effort is made to verify the accuracy of the statements made.

This publication is a part of a broad program of research and education in international relations, recently inaugurated by the Brookings Institution and focused on the current foreign policies of the United States. The program is being undertaken by the staff of the Institution's International Studies Group. The Summary is prepared by Jeannette E. Muther assisted by Constance G. Coblenz, Marie J. Thresher, Frances M. Shattuck, Tatiana Buzanova, and Maxine Lybarger, under the guidance of the principal members of the research staff.

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OUTSTANDING DEVELOPMENTS OF THE MONTH

Two developments during December were of outstanding importance in the major problems of United States foreign policy.

The London meeting of the Council of Foreign Ministers adjourned suddenly on December 15 with the breakdown of the negotiations over the German peace settlement. The Council meeting, which had been in session since November 25, was often marked by acrimonious debate over matters of both procedure and substance. Disagreements on the German question, and on that of Austria as well, between the Soviet Union on the one hand and the United States, Great Britain, and France on the other, appeared to be so basic that, in the words of Secretary of State Marshall, it was "impossible ... to make practical progress." Therefore, it was at his proposal that the meeting ended. No suggestions were made regarding the time when the Council might reconvene.

In a special message to the Congress on December 19, President Truman presented his plan for the action to be taken by the United States to implement the Marshall plan. The long-range program outlined by the President contemplated a total of $17 billion for United States aid in support of European recovery during the period from April 1, 1948 to June 30, 1952. He also estimated that $6.8 billion of United States aid would be required during the first fifteen months of the four and one-quarter year period.

The President's proposal followed by three days the approval by the Congress of the interim aid legislation authorizing $597 million for emergency financial aid principally for France and Italy. This amount was subsequently reduced to $540 million when the appropriations were actually made. The special session of the Congress adjourned without taking action on the long-range program, thus postponing consideration of it until the regular session opening on January 6, 1948.

Both the dramatic collapse of the London negotiations and the President's presentation of proposals for United States aid to Europe must be viewed against a background of events in Europe, especially in France and Italy, during the early part of the month.

In France, the wave of Communist-inspired strikes that began late in November led to the enactment by the National Assembly on December 4 of strong anti-strike legislation. Armed with these powers, and other emergency legislation approved despite strong Communist opposition, the Schuman government was able to cope with the situation, the strikers returned to work, and sabotage and violence gradually decreased. On December 10, Premier Schuman was able to reassure France in a public broadcast that the government had successfully withstood the assault upon it.

In Italy, a similar wave of Communist-led strikes and demonstrations against the government during the early part of December was unsuccessful. Furthermore, Premier de Gasperi's regime was sustained in the Constituent Assembly on December 13 by the largest vote of confidence it had ever received.

Communist pressure on established governments was also clearly manifest in other countries during December. The civil war in China increased in intensity, with the Chinese Communist armies driving hard to capture Mukden. In Greece, the Communist partisans, in a broadcast on December 24 which apparently emanated from Yugoslavia, declared the establishment of a "Free Government" under the guerrilla leader, General Markos. This body had not established itself on Greek soil before the end of the month, nor had any official recognition yet been given it, even by the states in the Soviet orbit.

Elsewhere, also, the political situation remained difficult. In both Indonesia and Indo-China, the disputes between native governments and the metropolitan authorities continued unresolved. In Palestine, violent developments occurred during December following the United Nations decision in November to recommend the establishment in Palestine of two independent states. Arabs and Jews engaged in ever-increasing violence against each other and in alternately blaming the United States and Great Britain for the general situation and their respective parts therein. Outside Palestine, the Arab countries were particularly hostile to the United States position on the Palestine question and there were violent demonstrations against the United States in several of them.

In the economic field, the Havana Conference on Trade and Employment was almost brought to a stalemate during December, when the numerically larger group of "undeveloped" countries in the Conference, led by Argentina and Chile, attempted to upset the provisions of the General Agreement on Tariffs and Trade, concluded in Geneva in October, on tariff reductions and preferences and on quantitative restrictions. From the point of view of the United States, these were regarded as crucial provisions of the General Agreement.

The problems of United States foreign policy raised by the attempts to acquire bases in foreign countries were given sharp focus by the dispute which flared up between the United States and Panama. On December 22, the Panamanian National Assembly unexpectedly and unanimously rejected the agreement finally signed on December 10 after protracted negotiations between the United States and Panama granting the United States continued use of 14 defense sites in Panama for the protection of the Canal. This action was taken despite the fact that over 100 such sites had been made available to the United States by Panama during the war. Without even waiting for official notification of the Assembly's action, the United States declared on December 23 that it would at once withdraw from all posts still occupied in Panama, and before the end of the year this withdrawal was well under way.

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I. PROBLEMS OF THE PEACE SETTLEMENTS

Pope Pius, in a Christmas broadcast, reflected the general feeling of discouragement over the slow return of peace to the world when he said:

> "Now that another post-war year has passed, with its burden of distress and suffering, of disillusionment and privation, those who have eyes to see and ears to hear cannot but be pained and humiliated by this: Europe and the world--even to distant and tormented China--today are farther from real peace, farther from complete and definite safety, farther from a new order based firmly on agreement and justice, than ever they were before. ..."

But when he received the diplomatic representatives to the Vatican just before the New Year, the Pope spoke more optimistically of his belief in "the 'indivisibility of peace,'" (a quotation from a speech by former Soviet Foreign Minister Litvinov in 1935) and stated that "regardless of how formidable obstacles to the achievement of this ideal may seem, we refuse to share the views of those who already predict that the new year will be one of the most calamitous in history."

A. PEACE SETTLEMENT NEGOTIATIONS

Future of the Council of Foreign Ministers

With the breakdown of the London Conference and the indefinite adjournment of the next session of the Council of Foreign Ministers, responsible leaders in world politics began openly to question whether some other method should not be sought for bringing about peace. In his report to the House of Commons on the conference, British Foreign Secretary Bevin said that "the termination of the conference and the manner of its ending, I have no doubt, will cause many people furiously to think. We cannot go on as we have been going on. We have hoped against hope that four-Power collaboration would work. ..." He added, nevertheless, "We shall close no doors. We shall maintain all the contacts we can and we shall do our best ... to produce ... not only a united Germany but a united Europe for the peace of the world."

French Foreign Minister Bidault refused to be pessimistic. In speaking of the Council of Foreign Ministers, he declared: "The institution exists for always and this is one of the good things one can find in the Potsdam Agreement." He felt, he said, that the Western Powers were anxious to leave open every possible avenue for reaching a settlement.

A suggestion to President Truman that a conference between heads of states might solve the difficulties which the Foreign Ministers had been unable to solve brought a response that he (Mr. Truman) would be glad to meet with Premier Stalin in Washington.

Dr. Evatt, the Australian Minister for Foreign Affairs, declared at Sydney that the failure of the London meeting had been due to "power

politics." He expressed the view that "the way toward peace will not be through continuance of the present methods of meetings of the Council of Foreign Ministers" and proposed instead a conference of "all countries that participated in the victory at such great sacrifice."

These views, expressed by Evatt, were in line with those he had frequently put forward concerning a peace treaty for Japan--he being insistent that there should not be a repetition in the Pacific of the delays in reaching a settlement as in Europe. The British Government also was anxious to avoid proceeding through the Council of Foreign Ministers in negotiating a settlement for Japan.

1. Germany

London Meeting, Council of Foreign Ministers

The efforts of the Council of Foreign Ministers to effect a settlement of the German question were devoted during the first days of December to a continuation of the discussion on procedure in the preparation of a peace treaty. In further debate on German participation in the peace conference, Soviet Foreign Minister Molotov, who presided at the December 1 meeting, renewed his argument that the establishment of a German Government should precede convocation of such a conference. The Western Powers, however, declared themselves unable to accept this proposal, and, as the Soviet Minister was unwilling to compromise on this point, the whole issue was left undecided. During the next several days, the Council returned to the task of determining which powers should participate in the framing of the treaty. When they had met in Moscow during the Spring of 1947, the Foreign Ministers had agreed on the establishment of four permanent committees to deal with political, territorial, economic, and military questions--and they were now concerned to determine the constitution of these committees. Further points to be decided in this connection were: (1) who would be represented on the subcommittees and (2) who would participate in the Information and Consultation Conference, which, although not to be a part of the actual treaty-making body, was designed as an instrument through which opinions could be exchanged and the Allied states kept informed of what was taking place. Molotov was anxious to restrict the actual treaty making to the Four Powers, and the Information and Consultation Conference to the Big Four and those states which had played a substantial part in the war against Germany or were neighbors of that country. U. S. Secretary of State Marshall, on the other hand, favored "the participation of all the Allies, large and small, in the preparation of the terms of peace." Although British Foreign Secretary Bevin also preferred wide Allied participation, he came forward on the 4th with a compromise proposal that the conference should consist of the Big Five, allied nations who were neighbors of Germany, and those who took an active part in the war against that country. Other allies might be invited to participate by majority vote. French Foreign Minister Bidault expressed the view that any nation which had been at war with Germany should have the right to present its views. Molotov accepted these two proposals in principle, but Secretary of State Marshall was not prepared to go so far and, as it proved impossible to reach agreement, the question was referred to the Deputies.

Foreign Secretary Molotov then put forward a proposal that the Four Powers should each submit proposals on the basic principles of a peace treaty "within two months." The French Foreign Minister promptly objected that adoption of such a proposal would render the present conference superfluous, and Molotov did not pursue the matter.

Consideration of Economic Proposals

On December 5, the Foreign Ministers began consideration of item three on the agenda, concerning "economic principles." The discussion was opened by Secretary of State Marshall, who urged that the Ministers "drop generalities" and "try to find out what each delegation really has in mind respecting a settlement for Germany." While reaffirming the United States desire to see a German provisional government established as early as possible, he nevertheless declared:

> "Before the Council decides on the kind of government to be set up in Germany, we must agree on common principles in Germany necessary to enable a government to function effectively. In my opinion, these include: the basic freedom for the individual; the abolition of zonal boundaries, except as delimitation of occupation areas, with no hindrance to the free flow of persons, ideas and goods throughout the whole of Germany; and a clear determination of the economic burdens the German people are to bear."

The Secretary of State then asked:

> "Are the members of this Council prepared to create the conditions under which German political and economic unity can become a reality? Mr. Molotov has spoken almost daily on the need for a German Government. I hope he will now be precise regarding the creation of conditions which would make a central German Government a living reality and not a pretense."

The French Foreign Minister followed with a statement of policy, revealing that, "in an effort to reach agreement," he was prepared to make several concessions. In particular he announced that, on condition that France was guaranteed coal and coke from the Ruhr and that no priority was given to German reconstruction, he would be prepared to agree to a level of steel production approximating that proposed by the British and Americans.

Foreign Secretary Bevin again put forward the statement on economic principles he had tabled at Moscow, in which were detailed the British proposals for achieving German economic unity. In calling for measures to permit the revival of German economy, the statement specified in part:

> "The Control Council shall agree upon details of a scheme for (a) application of the principles laid down in the Potsdam agreement which relate to the treatment of Germany as an economic whole, and (b) the sharing between the controlling Powers of the financial burden already incurred and which may be incurred in the future. The financial principles to give effect to this shall be laid down during the present session of the Council of Foreign Ministers.

"All restrictions on the movements of goods between the different zones of Germany shall be abolished, and ... the resources of each part of Germany and all imported goods shall be used for the benefit of Germany as a whole.

"A common export-import programme for Germany as a whole shall be drawn up. ...

"The repayment of sums advanced by the controlling Powers on account of the import requirements of the population of Germany shall be the first charge on Germany's foreign exchange resources after her essential needs have been met. ...

"Until Germany has attained a balanced economy, and until the sums referred to ... above have been repaid to the controlling Powers, Germany shall not be called upon to make any reparation deliveries from current production or stocks. ...

"The controlling Powers confirm the general principles of the Potsdam agreement on reparations. Experience has demonstrated, however, that the level of industry plan of March, 1946, on which the extent of reparations deliveries was assessed, requires substantial alteration. It shall therefore be revised to meet both the needs of security and the needs of the German economy; Germany shall be left with sufficient capacity to produce eventually 10m. ingot tons of steel per annum (and this shall also be the permissible production of steel in Germany); the limits on the capacity to be left in Germany of other restricted industries shall also be subject to upward adjustment ... .

"Each of the occupying Powers shall provide for the Council of Foreign Ministers information on the type and amount of reparation removals from its zone up to the present date, and thereafter regularly to the Control Council."

Next to speak was the Soviet Foreign Minister, who replied to Secretary of State Marshall's comments with generalities and accusations. He charged that, although the other three Powers, and the United States in particular, appeared on the surface to favor the idea of economic unity, they were in reality planning to divide Germany. He indicated that only the Soviet Union had the welfare of the German people at heart. The one concrete fact that emerged from his speech was that the Soviet Union would insist on acceptance of its reparation claims "before correct economic relations could be established among the zones."

In brief replies, the other three Foreign Ministers denied the Soviet charges, Secretary of State Marshall concluding with a demand that Molotov should clarify his stand on the reparation issue, so that the Council could "leave generalities and engage in discussion which [might] enable [them] to make some progress."

"If," he said, "I interpret Mr. Molotov's statement insofar as it applies to the work before us correctly, it is that Germany must

accept a burden of 10 billion dollars in reparations to Soviet Russia in addition to what might be given to the allies as a condition to the political and economic unification of the German people.

"I ask Mr. Molotov if this interpretation is correct. Also if it is correct, I would like to ask Mr. Molotov to state specifically how he would propose for the German people to meet such an obligation."

On the problem of reparation claims, Bidault expressed the view that the idea of obtaining reparation from current production should not be rejected without consideration and that in discussing the question attention should be paid to the danger of increasing Germany's industrial capacity simply to satisfy such claims.

The next day (6th) Molotov submitted three documents on Soviet views, but the other Ministers complained that they only partially covered the field and proposed that the British statement should be accepted as a basis for discussion. Molotov refused to do so unless it was considered in conjunction with the Soviet documents. The others then urged him (Molotov) to present a single, comprehensive statement of the Soviet position. This the Soviet Foreign Secretary did on December 8, in a lengthy reply containing general observations in addition to specific economic proposals. He said in part:

"The Anglo-American authorities have already proceeded to restore the war industrial potential in the Western part of Germany, relying on the support of old Hitlerite circles of industrial monopolists hostile to democratic Europe, and have prevented the Control from supervising this activity, which is a flagrant violation of the Potsdam Agreement. ...

"It will be seen from statements made by official representatives of the United States that it is intended to crown the implementation of this policy with the setting up of a government for the Western part of Germany ... .

"The fundamental significance of the Potsdam Agreement lies in the very fact that it provides the states controlling Germany with a common basis for joint work aimed at the rehabilitation of Germany as a peace-loving and democratic state. The Soviet Union continues to regard that political basis as a correct one and cannot agree to its revision."

The Soviet economic proposals provided for an increase in the annual steel output from "10,000,000 to 12,000,000 tons at an early date." On the Ruhr question, it was stated: "In view of the fact that the industry of the Ruhr region was the main basis of German militarism, the Ruhr industrial region shall be placed under the joint control of the United Kingdom, France, the United States of America and the U.S.S.R." Other action recommended concerned reform of the financial and monetary system and encouragement of the expansion of German exports.

The Soviet statement on reparation included demands that the Council of Foreign Ministers should:

"... fix reparations for the U.S.S.R., at $10,000,000,000, the Soviet Union to satisfy the reparation claims of Poland from its share.

"... utilize for the coverage of reparations:

"(A) Once-for-all removals which were or will be made during the period following the Potsdam conference of complete industrial equipment in working order which is not necessary for German peacetime economy. ...

"(B) Annual deliveries of goods from current production.

"(C) German assets abroad.

"(D) Various services."

The Soviet paper concluded by asking the Foreign Ministers "on condition that the agreed plan for the delivery of reparations is regularly fulfilled, to consider it possible not to put any obstacles in the way of the increase of production of the German peacetime industry ... ."

In the course of the involved debate which followed presentation of the two papers, Secretary of State Marshall tried unsuccessfully to obtain from the Soviet Minister a clear statement as to whether the Soviet Government would insist on settlement of its reparation claims as a prerequisite to economic unity. Mr. Molotov's only reply was that these problems must be considered simultaneously. Finally, on the 10th, Secretary Marshall took the following definite position:

"I have already stated that the United States Government considers that the questions of reparations were finally settled at Potsdam. We will not agree to the program of reparations from current production which under existing conditions could only be met in one of two ways. The first would be that the United States would pay for such reparations. This the United States will not do. The only other method of obtaining reparations from current production from Germany at the present time and for the foreseeable future would be to depress the German standard of living to such a point that Germany would become not only a center of unrest in the heart of Europe but that this would indefinitely, if not permanently, retard the rehabilitation of German peacetime economy and hence the recovery of Europe. ...

"In western Germany, the United States and Great Britain are pouring in food to keep the Germans alive. As I have said, this is costing some $700,000,000 a year. At the same time in eastern Germany assets are being taken out at the rate and value which we estimate to be over $500,000,000 a year. Also in that area German businesses, through one device or another, are being brought under Soviet ownership and placed in a gigantic Soviet trust. Thus, in effect, much of the German economy operates for the Soviet account. Also much German manpower is being taken out of productive effort either through forcible seizure or under the color of contracts which are imposed.

"This is the situation which needs to be corrected at once. ...

"Accordingly ... I ask the Council now to make a decision. From January 1, 1948, nothing shall be taken out of Germany except for a fair economic value in money or goods which can be immediately used to sustain the German economy. This decision shall stand until further action by the Council or pursuant to a peace treaty, but shall not apply to agreed reparations deliveries in capital goods.

"If we cannot take this economic decision which is of immediate vital significance, then we are wasting our time when there is no time to waste.

"I feel that we are entitled to a positive answer from Mr. Molotov now to the question raised in Paragraph 22 [of the British paper, calling for cessation of reparation deliveries from current production until Germany had achieved a balanced economy]."

Two days later, Foreign Secretary Molotov flatly rejected Secretary Marshall's proposal. He again protested against the policies which he alleged the other powers were pursuing in Germany—charging them with buying German coal and timber at low prices and selling at enormous profits and in general of using Germany to further their own interests. On the subject of reparation, he said: "The Soviet Union is not asking but demanding that the question of reparation be at long last decided." Molotov continued:

"The main attack is now being launched against reparations on deliveries from so-called current production. ...

"However, let us look at the facts. There are no current reparation deliveries from the Western zones while the level of industry in the joint Anglo-American zone reaches only to 35 per cent of the 1938 level. From the Soviet zone of Germany current reparation deliveries are taking place and the level of industry there has already reached 52 per cent of the 1938 level. ...

"It follows that reparations deliveries, far from hindering the rehabilitation of industry, facilitate this rehabilitation. ..."

Call for Adjournment of Meeting

In the light of extreme tension evidenced at the Council table, the meeting scheduled for December 13 was cancelled. During the week-end the American Embassy issued a statement denying the Soviet charges and when the group reconvened on the 15th, Bevin angrily refuted the charges on behalf of his country. It was clearly evident by now that the conference had failed. Secretary of State Marshall summed up the opposing viewpoints in the following terms:

"... taking first the subject of frontiers, we have been unable to agree on what we mean by Germany. Three delegations are in accord that the Saar territory should be detached from Germany and economically integrated with France. The Soviet Union does not agree.

"With respect to the eastern boundary of Germany, the Potsdam protocol clearly provided that 'the final delineation of the western frontier of Poland should await the peace settlement.'

"The United States believes that an effort should be made to establish a frontier which, while it would compensate Poland, would not become a formidable economic barrier preventing Germany access to food and raw materials from this eastern area upon which it has heavily depended.

"Three of the delegations agree that boundary commissions be at once established to examine frontier questions. The Soviet Union rejects this proposal. So we neither agree on what Germany is to be nor do we agree on establishing commissions to study these vital boundary problems.

"In examining the discussions on economic principles, we have progressed only in agreeing to procedures without substance.

"We have failed to reach agreement on sharing of the financial burdens. An ostensible agreement on the equitable distribution of indigenous resources is deprived of all meaning by the Soviet demand for a continuation of present Soviet withdrawals of current German production for reparations. ...

"The Soviet Union demands reparations for itself and Poland of ten billion dollars at 1938 values which is at least fifteen billion dollars today. These reparation payments to an undisclosed degree would take the form of current production over 20 years. This demand is not in accordance with the Potsdam Agreement. It is utterly impossible of achievement on practical economic grounds. It implies the establishment of an economic power so comprehensive that it would be in reality a power of life and death over any German Government.

"It was accepted by all at Moscow that full agreement on economic principles was essential to the establishment of political unification. We are unable to agree on what shall be the area of the German economy; we cannot agree how to make German resources available to Germany as a whole, a condition prerequisite to the revival of the German economy; we are confronted with a demand for reparations in excess of the Potsdam Agreement which would make a German Government subservient to its reparations creditor. It is therefore clear that agreement can be reached only under conditions which would not only enslave the German people but would seriously retard the recovery of all Europe.

"If real economic unity could have been established, the United States would have been ready for the German people to be immediately accorded, under agreed controls, self-government with the authority, responsibility and initiative this entails. But free government cannot exist under conditions of economic serfdom. True political and economic unity would require a free movement of goods, persons and ideas throughout Germany and the establishment of a rule of law

and political freedom which the occupying powers themselves would respect. ...

"... the United States has consistently pressed for certain fundamental decisions by the occupying powers themselves as the absolutely essential first step for the achievement of a unified Germany.

"Three delegations at this conference have registered their willingness to take these decisions here and now. The Soviet Union alone refuses to agree."

Finally, the American Secretary of State said:

"In view of these facts, it seems impossible at this time to make practical progress. Therefore, I reluctantly conclude that no useful purpose would be served by a debate on the other points on our agenda and I suggest that the Council of Foreign Ministers might now consider adjournment of this session."

Foreign Secretary Molotov followed with a denial that the Soviet Union was responsible for the failure of the conference and laid the blame on the Western Powers, who had refused to accept the Soviet proposals for the political and economic unity of Germany, which included "an all-German government representative of a single democratic state," preparation of a German peace treaty "without delay," and "the establishment of all-German economic departments." He concluded:

"We expect to be told on this point that three delegations already have agreed and that it remains only for the Soviet delegation to agree--or otherwise continuation of the sessions of the Council of Foreign Ministers will be impossible. This is always your response.

"But it should not be forgotten that it is impossible to talk to the Soviet Government in the same manner as you talk to the present Greek Government.

"I submit it is possible to settle any questions with the Soviet Government if there is a desire to take into account its views. It is only by agreement that it is possible to solve our problems correctly."

Secretary of State Marshall's proposal for adjournment was agreed after it had been decided that the Deputies should continue discussion of the Austrian treaty. No one had any suggestions to make as to when the Council of Foreign Ministers might meet again.

Reports by Foreign Ministers

Foreign Secretary Bevin reported to the House of Commons on the failure of the conference on the 18th, but he asked for postponement of full debate until after the Christmas recess--to give the government time to study the resulting situation more fully. After summarizing the main points of the disagreements which led to the breakdown, Bevin continued:

"If it is imagined that we entered into all sorts of commitments in case the conference broke down, that is untrue. All sorts of insinuations have been made but we have stuck to our policy of German political economy united under allied control with safeguards for our own security. ... I made it clear in the conference that if there is to be no settlement between the four Powers we cannot go on for ever with the burden of costs that represents, with western Europe in chaos and with no means of redress.

"... We are going to push on to raise the German standard of life in accordance with our promises, to rehabilitate their industries, to keep to the new level of industry, always remembering that we must not push Germany ahead of the liberated countries. ..."

Upon returning to the United States, Secretary of State Marshall expressed regret that he was unable to bring back a report of "profitable results," and delivered a radio address on December 19 wherein he discussed the course of events as they had transpired during the London session. He stated that the basic issue "was whether or not the Allies could agree among themselves to reunite Germany." The Secretary pointed out that the United States considered there were five "fundamental decisions" which the four occupying powers needed to take before unity could be realized. These were: (1) the elimination of artificial zonal barriers; (2) "the relinquishment by the occupying powers of ownership of properties in Germany seized under the guise of reparations without four-power agreement"; (3) currency reform; (4) a "definite determination of the economic burdens which Germany would be called upon to bear in the future"; and (5) an over-all export-import plan. Secretary Marshall, after indicating the "frustration" which was encountered throughout the meeting, commented that the only result of the conference was that issues were more clearly defined. He concluded with an expression of his fear "that there can be no settlement until the coming months demonstrate whether or not the civilization of Europe will prove vigorous enough to rise above the destructive effects of the war and restore a healthy society."

French Foreign Minister Bidault, on the 16th, declared that in his view all the powers were anxious to leave open the door to an over-all settlement. He asserted that his government would continue to press for economic fusion of the Saar with France, since they were "tired of waiting" for a settlement of this question. He refused to make any commitment on the integration of the French zone of Germany with the other two western zones, confining himself to the following statement:

"Nothing was prepared. Certainly nothing was decided, and therefore I cannot speculate about any advantages that might come from a merger of the three zones. The solution is no longer impossible, but I do not believe in compulsory and imperative solutions. ... In spite of rumours no one intends to aggravate a separation by unconsidered initiatives that harm economic unity, or even more."

Bidault refused to regard the breakdown of the conference as indicating collapse of the Council of Foreign Ministers. "The institution exists for always," he said.

Addressing the National Assembly on December 21, the French Foreign Minister commented that France had tried to prevent the rupture of Europe and the world, "but now that that development appears to be under way, we shall pursue our task, which is to realize the permanent aims of French policy, with the means which are left to us."

In a statement on December 31, Molotov placed responsibility for the failure of the London Conference on the United States. He accused Secretary of State Marshall with "hurriedly" disrupting the conference, and he again repeated the familiar Soviet attacks on American policy. His comments follow in part:

> "Agreement on the German problem was not achieved in London. What matters, however, is not certain trifles to which references have sometimes been made in recent speeches. Agreement was not reached on two basic issues: firstly, on the peace treaty with Germany, and, secondly, on the re-establishment of Germany's unity.
>
> "The Yalta and Potsdam Agreements, concluded by the heads of the Governments of the United States, Great Britain, and the U.S.S.R. in 1945, supply a solid basis for the solution of both these problems. ...
>
> "This session--chiefly through the efforts of the Soviet delegation--adopted a number of decisions in which progress was made in coordinating the attitudes of the four Governments in regard to the procedure for the preparation of the peace treaty with Germany. For some reason this is now being passed over in silence. Consideration of this matter was not, however, completed, since the American delegation hurriedly undertook to disrupt the entire work of the London conference. ...
>
> "The Soviet Union alone consistently upholds the re-establishment of Germany's unity. As to the three other Powers, their attitude in this matter indicates a policy aimed at Germany's disintegration rather than unity, a policy of separating the western zones from the rest of Germany, which has already resulted in the actual splitting of Germany.
>
> "The policy aimed at Germany's disintegration ... is dictated by the fear that Germany will re-establish herself as a serious competitor in the world market, in which the American monopolies and their affiliations in Europe are seeking to hold undivided sway and to dictate their will. ...
>
> "It is no longer concealed that the separation of Bizonia from the rest of Germany pursues political purposes as well. In recent months the American and British press has been writing much to the effect that a government of its own must be set up under one name or another in Anglo-American Bizonia, that Bizonia should have a constitution of its own, that a separate currency reform should be carried out there, and its own currency issued, and the like. ...
>
> "This plan to a great extent reflects the desire to convert the western part of Germany into a base for extending the influence of American imperialism in Europe. The American plan includes a number

of European States whose rehabilitation is made dependent on certain economic and political terms which the United States dictates to these States as well.

"It should also be said that the American plan by no means envisages the fulfilment by Germany of her reparations obligations towards States which suffered from German aggression and occupation. It does not reckon with the interests of these States, and disregards the decision of the Potsdam conference on this subject. ...

"Both the peace treaty and the re-establishment of Germany's unity call for the formation of a German Government, but it is easy to see that the formation of a democratic Government in Germany would compel one to reckon more with the interests of the German people, which is evidently not envisaged by the present plan for so-called aid....

"We are told that either the proposed American plan for Germany will be carried out, or even the paper agreements on the peace treaties' will not be concluded. Such frankness is useful for clarifying the present situation. ...

"This policy of 'dictate' could not but encounter a rebuff on the part of the Soviet Union. This policy of 'dictate' adopted by the United States resulted in the failure of the London conference.

"The London conference ended in failure. Quite a few attempts were made to charge the U.S.S.R. with responsibility for this. Nothing came of it. The responsibility for the failure of the London session rests with the leading circles of the United States of America. In this case again, both Mr. Bevin and M. Bidault followed Mr. Marshall."

Agreement on German External Assets

The Department of State announced on December 4 that representatives of the United States, Canada, and the Netherlands had signed "the first comprehensive, multilateral Agreement on the problem of conflicting claims by Governments to German external assets." The statement said that "of about $500,000,000 German external assets reported to be within IARA countries, it is roughly estimated that $100,000,000 or more may be the subject of conflicting claims of the types covered by the Agreement." Property covered by the agreement included "securities, negotiable instruments, currency, warehouse receipts, foreign currency bank deposits, decedent's estates, trusts, and the property in one signatory country of corporations organized under the laws of another signatory country or Germany."

Participating in the discussions were the United States, Great Britain, France, Canada, the Netherlands, Belgium, and Yugoslavia. Belgium promised to sign the agreement on January 3. Yugoslavia refused to do so as it declared itself unable to accept the definition of Nazi assets.

Soviet Assurances on Reparation Payment

It was announced on December 10 that the Soviet Union had assured the Inter-Allied Reparation Agency and the heads of the Allied

Military Governments in Berlin that they would ship five million reichsmarks worth of goods by February as a first payment on their debt to the Western Powers for reparation equipment which had been delivered to them. Reparation Agency officials said that this payment would be made in the form of wheat, benzine, diesel oil, pit props, and timber.

A United States Military Government official stated that reparation valued at 100 million reichsmarks had been delivered to the Soviet Union up to December 1. Of this amount, they were required to pay for 60 per cent. In addition to the three occupying powers, Yugoslavia, the Netherlands, Czechoslovakia, Belgium, Greece, India, and Egypt were also scheduled to receive part of the Soviet shipment. One of the principal obstacles to earlier agreements remained unsettled, however. The British and American authorities had held that the commodities provided as reparation payment should come from the Soviet Union and not from the Soviet zone of Germany, unless they were in excess of German requirements under the agreed economy level. The Soviet Union refused on the ground that this was not laid down in the Potsdam agreement. British and American Military Government authorities therefore stipulated that the agreement should be without prejudice to future negotiation on this subject.

United States-British Agreement on Costs

The negotiations begun in September 1947, at the request of Great Britain, to relieve that country of the dollar costs of its occupation in Germany, were completed on December 17 with the signing of an agreement revising and extending the Bi-Zonal Fusion Agreement of December 2, 1946. The 1946 agreement provided for equal division of essential import costs. Under the new agreement, it was arranged that for the period November 1, 1947 to December 31, 1948, the United States should undertake the liability--subject to Congressional appropriations--for the British share of these imports which could not be paid for in sterling. It was estimated that the additional dollar commitments incurred by the United States would amount to approximately $400 million in 1948. Certain additional goods and services were to be provided by the British through 1948, including the provision of ships to transport cargoes to Germany from American ports. Further, the United States was to receive additional control on the bi-zonal Joint Export-Import Agency and the Joint Foreign Exchange Agency proportionate to its increased financial contribution.

On the following day, U. S. Army Under Secretary William H. Draper emphasized that the new economic agreement did not alter the fundamental partnership or policy. He said that, although the United States had an increased voice in administration, full partnership was considered very important, that the United States was not taking over the British zone in any way, and that the pact contained no secret agreements.

Western Zonal Developments

At conferences on the 22nd, Gen. Clay and Gen. Sir Brian Robertson, the American and British Military Governors of Germany, both expressed determination not to take any step to break up the Four Power Government.

General Clay said that he would shortly meet with General Robertson to discuss what action was necessary as a result of the failure of the London Conference. He indicated that discussion would center on steps to be taken to strengthen the bi-zonal economy. He said that every effort would be made to obtain the agreement of the Allied Control Council to proposals. He added, however: "If we are unable to get quadripartite agreement, we shall take our own steps to strengthen our zones." He stated his conviction that economic fusion could never be completely successful without political fusion, but he indicated that a move to unite western Germany would require the support of the Germans and that they appeared to be strongly opposed to division of their country. He declared that termination of quadripartite rule would be "a very serious step" and he did not believe that any of the members of the Allied Control Council would consider withdrawal "at the present moment."

The first concrete indication of a move toward closer collaboration with the French zone in Germany came on December 30, with the announcement that General Clay had suggested in an informal talk with General Koenig, the French Military Governor, that trade and travel barriers should be abolished between the French and American zones. Elaborating later on his conversation with General Koenig, Clay said that he aimed at concluding an agreement similar to the one in effect between the British and American zones, which permitted Germans to travel freely between the two zones and to enter into contracts unhampered by inter-zonal trade treaties. He added that General Koenig appeared well disposed toward the elimination of zonal boundaries, but he insisted that the question of tri-zonal economic union had not been raised. One of the principal difficulties in eliminating zonal barriers, Clay said, was that of "trade balance." This had been maintained by means of inter-zonal agreements, but if free movement of goods between the zones were permitted, imports into the French zone would exceed its exports.

2. Japan

Peace Conference Proposals

The end of the year saw the issue of procedure for a Japanese peace conference still unresolved. In a note to the Soviet Government, made public on December 7, China reiterated its view that the preliminary peace conference should consist of the eleven powers of the Far Eastern Commission and that voting procedure should follow that of the Commission. Pointing out that the Commission was responsible for formulating policy to insure the fulfillment of Japan's obligations to the Allied Powers, the note continued:

> "As this function is no less vital than that of the future preliminary peace conference the Chinese Government sees no necessity for the latter to deviate from the principles governing either the composition or the voting procedure of the commission, which had been agreed upon by all eleven powers of the commission."

It was announced on December 13 that the British Government had replied to notes received from China and the Soviet Union during November

on the subject of procedure for the peace conference. In its replies, Great Britain stated its opposition to use of the veto, proposing instead that decisions on matters of substance should be by a two-thirds majority vote. It also refuted the Soviet contention that it had been agreed at Potsdam that the Big Four should draw up the Japanese peace treaty terms--and said that those countries which had contributed to the defeat of Japan, which had suffered war damage, or which had vital interests in the Pacific, should also participate. The British Government indicated willingness to hold a conference in China early in 1948, although they expressed a preference for Washington where they already had a large staff of experts.

A statement on the procedural question by Dr. Evatt, Australian Minister of External Affairs, was made public on December 15. Although admitting the supreme position of the United States in relation to Japan, he said that no other nation had played a greater part in defeating Japan than had Australia--and therefore his government could not agree to take a secondary place in the preparation of the peace treaty. He alleged that exclusion of active participants in the European war--such as Africa, Australia, Canada, and New Zealand--from preliminary treaty discussions in Europe, had delayed a peace settlement there, and he expressed the hope that a Far Eastern settlement would not be similarly delayed.

3. Austria

London Meeting, Council of Foreign Ministers

The negotiations on the Austrian treaty question which had begun between the Foreign Ministers' Deputies on November 27, ended on December 1 with rejection by the Soviet representative of the French compromise solution. He contended that the French proposal was not in accordance with the Potsdam agreement, the payments suggested being insufficient to cover the value of the assets allocated to the Soviet Union under this agreement. As he refused to produce a counter-proposal, it simply remained for the Deputies to draw up a report for the consideration of the Foreign Ministers.

The report was presented to the Foreign Ministers in London on December 3. It was followed by a brief statement from British Foreign Minister Bevin giving his support to the French proposal and declaring that "Britain [wanted] nothing for herself out of Austria but simply the fulfillment of the promise ... that Austria become again an independent and prosperous country."

Discussion of the Austrian question was continued the next day, the Western Powers doing their best to obtain from Foreign Minister Molotov a concrete statement of Soviet claims--but without result. U. S. Secretary of State Marshall pointed out that "the greatest obstacle to progress" had been failure to agree on a definition of what assets in Austria were German. After several months of study, he said, three of the powers had arrived at an understanding but the Soviet Union remained in substantial disagreement. He therefore asked the Soviet delegation whether they now had any proposal to resolve the differences, other than that the three Western Powers should reverse

their "firm convictions" and accept the Soviet position on German assets. He further asked them to state precisely what they wanted from Austria and to give an exact definition of what they regarded as "bona fide German assets;" also, whether they agreed that German assets should remain subject to Austrian law and, if not, what exceptions they demanded "at the expense of Austrian soveriegnty."

Soviet Foreign Secretary Molotov gave no direct reply to these questions. Instead, he attacked American and British policy in Austria, accusing the United States of attempting--by "imposing" financial aid--to effect "the enslavement of the state by removing its freedom of action," and charging both nations with having prevented a settlement of Soviet claims in 1945 by threatening to withhold recognition of the Austrian Government if it signed the agreement which had been reached.

Secretary of State Marshall refused to reply to these attacks beyond a "categorical denial" of the charges and a declaration of his conviction that Molotov himself did not believe his "allegations and implications." He added: "We all are aware of the real purpose of attacks of this nature. Indeed, it has been announced. It is to disrupt the great co-operative movement that is being launched for the economic recovery of Europe." He then restated the position of the United States on the assets issue, declaring:

> "In substance, the Soviet Union appears to claim all assets in eastern Austria to which Germans held any kind of title regardless of how that title was acquired. Yet it is abundantly clear that Hitler's Germany, as the result of the annexation of Austria, acquired extensive property interests in Austria by the abuse of power, by duress, by aryanization, by involuntary transfer, and by the discriminatory interpretation and application of laws. It forced the transfer into German hands of a substantial part of the economic wealth of the country. Any claims for German assets based on German ownership acquired by any of these means are clearly outside the scope and intent of the Berlin protocol. ..."

Bevin also pressed Molotov for a specific statement of Soviet claims, but the only reply he could obtain was that the Soviet Union might be prepared to accept "ten per cent less than what was agreed upon at Potsdam." Molotov described the French proposal as unjust to the Soviet Union. The Austrian treaty question was then referred back to the Deputies.

The matter was not discussed again by the Foreign Ministers until the closing session, on December 15, when Molotov presented a proposal which would have awarded the Soviet Union two-thirds of Austrian oil production. Secretary Marshall, at this point, summed up the positions on both the Austrian and German treaties and proposed the adjournment of the conference. Concerning Austria, he said:

"We have failed to reach agreement on a treaty for Austria because the Soviet Union has demanded for itself special privileges in Austria in an amount and to an extent which far exceed any rightful claims and which far exceed what a free Austria can afford. If Soviet claims were admitted, it would be at the price of Austrian independence and in violation of past agreements."

In reply to Secretary Marshall, Molotov protested:

"The Soviet delegation indicated a possibility existed of making a concession in regard to the question of German assets in Austria on the basis of the new French proposal.

"But this was not considered by the Council of Foreign Ministers despite the fact that the Soviet delegation said it was prepared not to insist on retaining all the German assets in its possession. We are now being saddled with a refusal to consider the question on its merits."

At Bevin's suggestion, it was agreed before the conference adjourned that the Soviet proposal on Austria should be sent to the Deputies for further study.

At a meeting of the Deputies on the 17th, the Soviet delegate put forward the proposal outlined at the Big Four meeting by Molotov, under which the Soviet Union was to receive two thirds of the present oil production in Austria and two thirds of the exploratory areas from "among German assets to which the Soviet Union [was] entitled." While this was considerably more than the French proposal, which granted them only one half of current production and one third of the exploratory areas, it was a modification of the Soviet claim at Vienna for rights to all the oil exploratory areas. On this basis, the Soviet Deputy said that he was "prepared to continue further consideration of Soviet as well as French proposals." When the United States Deputy pressed for clarification of the Soviet claim on oil and proposals on other Austrian assets, the Soviet representative said that preparation would require a minimum of two weeks. It was then agreed to adjourn the discussions and to resume them not later than February 1.

In his broadcast to the American people on December 19, reviewing the meeting of the Council of Foreign Ministers in London, Secretary Marshall commented on the Soviet refusal to accept the French proposal to break the Austrian impasse, and concluded:

"... In the last hour of the final session of the conference Mr. Molotov indicated an apparent willingness to accept a percentage reduction in the Soviet Claims, without specifying the actual amount involved in his proposal. The matter was immediately referred to the deputies and I was informed just prior to my departure from England that the Soviet Government would submit later a detailed proposition."

Currency Reform Measure

The Soviet occupation authorities agreed on December 2 to approve the Austrian monetary reform bill voted by Parliament on November 19, following a financial settlement which secured for them conversion at par of nearly 500 million schillings. The Allied Control Council unanimously agreed to the bill on the 4th, although the American Deputy High Commissioner reserved the position of the United States on the Austro-Soviet agreement. At the Council's meeting on the 12th, the American representative read a statement condemning the agreement.

4. Korea

Opposition to United Nations Commission

It was reported on December 12 that the secretariat of the United Nations Commission for Korea would leave New York on January 2 and was expected to arrive in Seoul about January 9. It was anticipated that the first meeting of the group would take place a few days later.

Meanwhile, the United States Military Administration in South Korea was faced with the task of coping with opposition aroused by the appointment of the Commission. American officials endeavored to counter such attacks by explaining the functions of the new body, together with the objectives of the United States. On the 6th, the Department of State representative in Seoul said that:

> "The first mission of the United Nations Commission is to observe the election of representatives of the Korean people to be sure that it is a fair and democratic election and that those selected are in fact representatives of the Korean people... ."

General John R. Hodge, United States Commander in Korea, restated the American position on the 17th, declaring:

> "I can state categorically that the United States has no imperialistic aims or desires to colonize Korea or to establish any continuing economic or political controls in Korea. I can state categorically that the United States wants no military bases in Korea and is anxious to get its troops out of Korea as soon as a Korean National Government, according to the will of the people, is assured."

B. IMPLEMENTATION OF PEACE TREATIES

Withdrawal of Troops: Italy, Bulgaria, Hungary

In accordance with the stipulations contained in the satellite peace treaties, remaining United States and British troops had been removed from Italy by December 15. Radio Moscow announced on that date that all Soviet Union forces had been evacuated from Bulgaria by the 14th. According

to the terms of the Hungarian peace treaty, the Soviet Union was permitted to retain "lines of communication" units to safeguard its zone of Austria. Negotiators failed to reach agreement on the number of such troops, but the Allied military representatives concerned in the writing of the treaty estimated that the maintenance of the line of communication would require not more than 2,000 men for practical duty and that 5,000 would be "very generous." It was reported on December 25, however, that some 25,000 Soviet troops were apparently remaining in Hungary.

On the evening (December 13) before the withdrawal of the last U.S. troops from Italy, President Truman issued a statement in which he said that the United States would "continue its interest in the preservation of a free and independent Italy," even though its troops were being withdrawn in fulfillment of its obligations under the treaty of peace.

1. The Italian Treaty

Allied Agreements on Submarines and Looted Gold

On December 16, the Foreign Ministry in Rome was notified by the ambassadors of the United States, Great Britain, France, and the Soviet Union that their governments had agreed to waive strict interpretation of Article 49, Paragraph C, of the Italian peace treaty that provided for the sinking of the 31 remaining Italian submarines. The Italian Government was informed that instead it would be permitted to scrap these vessels. However, the Soviet Ambassador, Mikail Kostilev, made it clear that his country did not consider this concession as being an indication of its acceptance of the principle of treaty revision--and that this action could, therefore, not be considered as a precedent for additional modifications of the treaty. The Italian Foreign Ministry declared that the machinery and scrap metal from the submarines would be turned to industrial uses, and that the salvage work would provide winter employment for the unemployed.

An agreement was signed in London on the same day between the United States, Great Britain, France, and Italy, to enable Italy to share in the distribution of monetary gold which had been looted by the Germans. A British Foreign Office statement said the agreement provided that Italy was to receive "a proportionate share of the gold, distributed on the same basis as countries signatory to the act, provided that a weight of approximately 23,000 kilograms of fine gold be first set aside out of its share and deposited with the Allied Governments mentioned." Thus about $23 million was to be reserved to satisfy claims on Italy by France and Yugoslavia.

a) Trieste

Action to Select Governor

Following a closed Security Council meeting on December 18, the matter of selecting a governor for Trieste was turned over to Italy and Yugoslavia. These governments were to endeavor to pick a candidate by January 5. This action of the Council concluded 13 months of negotiations on the selection of a ruler for the Free City of Trieste.

The Soviet Union suggested Auguste Buisseret, Belgian Minister of the Interior, but the United States and Great Britain both opposed this candidate because of his record of experience--a decision which the U. S. representative said was not intended to reflect upon him or his country. By the 27th, word from Rome indicated that the Italian and Yugoslav governments were discussing the choice of a governor. Although the Yugoslavs had submitted a list of names, Italian official circles were not optimistic over the outcome of the negotiations.

Meantime several incidents of bombing (December 23) were reported from Trieste, and other instances of violence revealed a state of unrest in the new Free Territory.

2. The Hungarian Treaty

Soviet-Hungarian Agreement on German Assets

An agreement between Hungary and the Soviet Union was announced in Budapest on December 12 under which the Soviet Union was to receive the equivalent of $45 million to settle their claims to German assets in Hungary. The agreement provided for shipment of Hungarian bauxite to the Soviet Union over the next four years. The following day a Foreign Office spokesman intimated that the British Government would protest this unilateral action, on the ground that it was an issue to be settled by the Council of Foreign Ministers. He said that his government had sent a note to Moscow on November 20 pointing out that the Council had not yet agreed on the definition of a German asset.

II. ECONOMIC AND SOCIAL PROBLEMS

Developments in relation to the Marshall plan, which continued to be the center of United States economic foreign policy in December, must be viewed against two important internal developments, in the United States and the Soviet Union respectively. In the United States the passage of a so-called anti-inflation bill by Congress (Senate Joint Resolution 167) on December 28 gave recognition to the dangers that domestic inflation may contain for the success of American economic policy abroad, both through decreasing the purchasing power of American loans and through endangering the future stability of our entire economy. In signing the bill, however, President Truman termed it "pitifully inadequate as a weapon against the high cost of living." In a statement on the measure, he declared that its provisions extending export controls and allocation authority over transportation facilities, expanding agriculture's conservation program in this country, and authorizing measures to increase food production abroad, fell far short of the ten-point program he had presented the Congress on November 17 as necessary to provide adequate authority to deal with inflation.

In the Soviet Union, the common world problem of inflation also compelled attention, and on December 14 the Moscow radio announced a decree of the Council of Ministers and the Communist party abolishing rationing of food and consumer goods and fixing the ruble at one-tenth its former value. Signed by Premier Stalin and Politburo-member Andrei Zhdanov, as secretary of the Communist party Central Committee, the decree declared these measures were intended to halt speculation and the inflation that had in some cases raised prices from ten to fifteen times their prewar levels. Pravda hailed the decree as another "evidence of the invincible power of Socialist economics." The decree itself, however, explained the step as a necessary corrective of the inflation which had resulted from the decrease during the war in consumer-goods production and the "considerable" increase of currency in circulation due to the requirements of war expenditure and the issuance of counterfeit rubles by the Germans. The result of this was a greatly increased discrepancy between state-controlled prices for rationed goods and uncontrolled market prices for other commodities, making it "obvious" that "profiteering elements" had exploited the situation, "in order to accumulate large amounts of money for the purpose of making a profit at the expense of the population."

A. RECONSTRUCTION AND DEVELOPMENT

1. The Marshall Plan

Fund and Bank Views

Officials of both the International Bank and Monetary Fund expressed optimism over the prospects of European recovery when aided by Marshall plan loans. On December 2, Eugene Black, U. S. Executive Director of the Bank, said in an address:

"As to loans with Marshall Plan Europe, it is of course impossible for us to do any accurate planning until the Marshall Plan is a 'Fait

Accompli'. ... You have probably seen the figure of $3,000,000,000 odd, mentioned as the sum set aside by the Sixteen Nation Conference in Paris and also under the Harriman Report, as the amount which the International Bank might be called upon to supply for the financing of equipment in connection with the overall European Recovery Program. In my opinion, after two months in Europe and after numerous discussions with the heads of large manufacturing concerns, bankers and government officials, this figure is pretty much on the high side. I do not think that an accurate estimate of this need can be made until specific projects are objectively considered and screened by an organization equipped to examine such projects. ...

"... As far as our bonds are concerned, I feel that the security behind them will be even greater than before because whatever amount is finally settled upon under the Marshall Plan will be just that much equity behind our issues and will supply the much needed fuel, food, raw materials and other consumable items to serve as an added base to our loans. The Marshall Plan also will, in my opinion, lay at rest the spectre of 'in terrorem' pressure on the Bank on behalf of possibly uneconomic loans and will allow us to be even more selective in the type of credits we approve. ..."

On the 15th, the managing director of the Fund, Camille Gutt, declared that:

"... The aid from the Marshall Plan offers European countries a unique opportunity to stabilize their economy. The import surplus represents an addition to the supply of goods available for comsumption and investment. Beyond that it facilitates a program of monetary reform. You must remember that the import surplus provides a country with goods that are sold for local currency without the counterpart of a local cost of production. The local currency received either from the sale of import goods (or for the foreign exchange made available to pay for import goods) comes into the hands of the monetary authorities. It therefore reduces the supply of currency and deposits. If these receipts are immobilized they will reduce the money supply and bring it into relation to the flow of goods available to the community at stable prices. ...

"I believe there is a good chance that Europe will again become a self-sustaining part of the world economy. The aid already given by the United States and other countries, the aid that may still be forthcoming under the Marshall Plan is invaluable. It is invaluable on one condition, but one essential condition; it must be used to the right purpose, in the right direction, to bolster up comprehensive, intelligent and courageous plans as those I mentioned one minute ago. It is too valuable to be squandered amidst political chaos. That is why I say that certainly the work that is being and will be done on international currency, investment and trade cooperation through the International Monetary Fund, the World Bank and the I.T.O. can be very helpful, but that ultimately, it must be Europe that does the big job of restoring the European economy. What these countries themselves do on expanding production, stabilizing currency and balancing trade will be the decisive factor in the future of Europe...."

Passage of Interim Aid Bill

By a vote of 83 to 6, the Senate approved on December 1 an interim aid bill by which the full amount of $597 million recommended by the Administration for winter relief to France, Italy, and Austria was to be provided. Several amendments were incorporated into the bill as originally presented to the Senate by its Foreign Relations Committee--among them being provisions to insure that American press and radio representatives would be permitted to freely observe the operation of the relief program in the countries concerned, and that the food and other commodities received under the program would be clearly identified as a gift from the United States.

The following day (2nd), the House of Representatives Foreign Affairs Committee agreed on its own interim aid bill, recommending the authorization of $590 million for relief, of which $530 million was to go to France, Italy, and Austria, and $60 million to China. In addition, the House Committee proposed that the Reconstruction Finance Corporation should be automatically authorized to advance $150 million to set the program in motion as soon as an agreed bill had been voted on and signed by the President. On the 3rd, the Committee submitted a report on its proposed legislation in which it stressed the desirability of speedy action. The report warned that, without aid, shortages in European countries would "very soon" cripple their economic life. It added that Communist action in France and Italy verged on civil war, and declared: "Whether or not Communists hope or intend to seize power, or merely intend to cause maximum economic reverse is immaterial. In either case it intensifies reasons why aid is needed. Much more it intensifies the importance of timing."

Discussion of the Committee's recommendations began in the House on December 4 and the bill (with several amendments) for the full $590 million was approved on the 11th by an overwhelming majority, following sharp debate. The Committee's proposal for an advance of $150 million by the Reconstruction Finance Corporation without waiting for legislation to appropriate the money was also approved.

Among the amendments added by the House was one to insure that the United States would maintain a carry-over of 150 million bushels of wheat against crop failures before making supplies available for foreign relief purposes. Another amendment was to enable purchases under the relief program from government holding agencies to be made at procurement prices. Further, it was provided that up to 25 per cent of the funds might be used to purchase goods from abroad and that the price paid might be 10 per cent higher than that prevailing in the United States if the commodities were in short supply in this country.

Upon passage of the House of Representatives bill, Senate-House conferees began consideration of a compromise measure, and on the 13th they agreed to recommend the appropriation of $597 million for emergency aid to France, Italy, Austria, and China. The amount to

be allocated to any individual country was not specified. The bill provided, however, that "to the extent that funds may be made available under provisions of any other act heretofore or hereafter passed relating to China, any funds reserved under this act for China may be used for aid to the (three) other countries." The provision in the House bill enabling the Reconstruction Finance Corporation to advance $150 million of the total authorization was retained. The wheat carry-over clause was also left in, although the President was given discretion to reduce the amount if crop prospects justified it. The House bill had provided for restrictions to prevent Communists from benefiting under the program, but all reference to Communists was eliminated from the compromise measure--which simply specified that assistance should cease "whenever [the President] finds that because of changed conditions, aid under the act is no longer consistent with the national interest."

Three days later (16th), Congress took action authorizing emergency aid totalling $597 million for the period ending March 31, 1948. The House of Representatives voted passage of the bill by 313 to 82, while it passed in the Senate by voice vote. President Truman signed the bill on the 17th, making it immediately effective to the extent of the $150 million advance from the Reconstruction Finance Corporation which Congress had sanctioned.

On the same day, however, the House passed an appropriations measure which again cut the emergency aid program--this time to a figure of $509 million. The provision for France was cut by $66 million and that for Italy by $22 million, while no allocation was made to China. The Administration had also asked for an additional appropriation of $490 million to cover occupation costs in Germany, Japan, and Korea, but the House was willing to grant only $230 million, its Appropriations Committee having decided that more information should be provided with regard to the increased cost to the United States resulting from the assumption of some of the expenses formerly borne by the British in their zone of Germany.

Senate debate on the appropriations measure took place on the 19th. Sharp controversy was aroused over an amendment which the Appropriations Committee had inserted forbidding the use of funds for any further dismantling of nonmilitary industrial plants in Germany, but after vigorous opposition by Senator Vandenberg, the amendment was defeated and the interim aid bill was passed. It provided for an appropriation of $568 million for interim relief, including $18 million for China, and the full amount of $490 million requested by the Administration for the occupied areas.

The House and Senate measures went immediately to the Conference Committee for adjustment of the differences and an agreed bill was returned to Congress that night and passed by both Houses. The measure, as finally approved, provided $522 million for emergency aid to France, Italy, and Austria, $18 million for China, and $340 million for the occupied areas. The $18 million voted for China was to be taken from the unexpended funds authorized for China early in the year under the post-UNRRA relief program.

The bill was promptly signed by President Truman who, on the 26th, issued an executive order--in accordance with the power granted to him by Congress--delegating his authority to administer the interim aid program to the Secretary of State.

"Outline for European Recovery Program"

On December 19, President Truman presented to Congress the Administration's long-range plan for the revival of Europe's economy. This was entitled: "Outline for a European Recovery Program." Accompanying the President's message was a comprehensive report drawn up by the Department of State in which was included the bill to authorize the program proposed by the Administration, a summary of the data presented by the sixteen participating nations, and an outline of plans for agreements with each of these nations.

President Truman began by stressing the interest which the United States had in maintaining a just world peace and the danger to that peace of failure to aid Europe in rebuilding its war-devastated economy. He said in part:

> "We must now make a grave and significant decision relating to our efforts to create the conditions of peace. We must decide whether or not we will complete the job of helping the free nations of Europe to recover from the devastation of war. Our decision will determine in large part whether the free nations of the world can look forward with hope to a peaceful and prosperous future as independent states, or whether they must live in poverty and in fear of selfish totalitarian aggression. ...
>
> "The economic plight in which Europe now finds itself has intensified a political struggle between those who wish to remain free men living under the rule of law and those who would use economic distress as a pretext for the establishment of a totalitarian state.
>
> "The next few years can determine whether the free countries of Europe will be able to preserve their heritage of freedom. If Europe fails to recover, the peoples of these countries might be driven to the philosophy of despair--the philosophy which contends that their basic wants can be met only by the surrender of their basic rights to totalitarian control.
>
> "Such a turn of events would constitute a shattering blow to peace and stability in the world. It might well compel us to modify our own economic system and to forego, for the sake of our own security, the enjoyment of many of our freedoms and privileges.
>
> "It is for these reasons that the United States has so vital an interest in strengthening the belief of the people of Europe that freedom from fear and want will be achieved under free and democratic governments."

After recapitulating the events which led to the formulation of the government's program, the President pointed out that no other country was in a position to furnish the required aid.

> "Most of the necessary outside aid, if it is to come at all, must come from the United States. It is a simple fact that we are the only nation with sufficient economic strength to bridge the temporary gap between minimum European needs and war-diminished European resources. ..."

Before proceeding to outline the program drawn up for submission to Congress, the President warned that changes in the situation were to be expected and that adjustments might be necessary from time to time. He noted in particular the dependence upon weather conditions of fulfillment of the agricultural goals, and the obstacles which might be created by the Communists, who had announced their "determined opposition" to the plan.

President Truman then turned to the plan itself. He observed that it had been developed with the following six basic considerations in mind:

> "First, the program is designed to make genuine recovery possible within a definite period of time, and not merely to continue relief indefinitely.
>
> "Second, the program is designed to insure that the funds and goods which we furnish will be used most effectively for European recovery.
>
> "Third, the program is designed to minimize the financial cost to the United States, but at the same time to avoid imposing on the European countries crushing financial burdens which they could not carry in the long run.
>
> "Fourth, the program is designed with due regard for conserving the physical resources of the United States and minimizing the impact on our economy of furnishing aid to Europe.
>
> "Fifth, the program is designed to be consistent with other international relationships and responsibilities of the United States.
>
> "Sixth, the administration of the program is designed to carry out wisely and efficiently this great enterprise of our foreign policy."

The President next proceeded to discuss each of these basic considerations in turn. On the first point he said:

> "The program is designed to assist the participating European countries in obtaining imports essential to genuine economic recovery which they cannot finance from their own resources. It

is based on the expectation that with this assistance European recovery can be substantially completed in about four years.

"The aid which will be required from the United States for the first fifteen months--from April 1, 1948, to June 30, 1949--is now estimated at $6.8 billion. ... The requirements of the remaining three years of the program are more difficult to estimate now, but they are expected to decrease year by year as progress is made toward recovery. ... The best estimates we can now make indicate that appropriations of about $10.2 billion will be required for the last three years. ..."

President Truman asked that the appropriation for the period from April 1, 1948 to June 30, 1949 be made in time to put the program into effect by April 1, 1948, with appropriations for later years to be considered subsequently on an annual basis.

With regard to the second consideration--that United States goods and dollars should contribute most effectively to European recovery--the President said that "each of the countries receiving aid [would] be expected to enter into an agreement with the United States affirming the pledges which it [had] given to the other participating countries [at the Paris Conference], and making additional commitments." Under these agreements, the countries would, where applicable, pledge themselves: (1) to promote increased industrial and agricultural production in order to become independent of abnormal outside economic assistance; (2) to restore monetary stability; (3) to co-operate to reduce trade barriers; (4) to make efficient use of their own resources and of all goods and services made available through United States aid; (5) to stimulate the production of specified raw materials and to facilitate procurement by the United States for stockpiling purposes from the excess above reasonable domestic and export requirements; (6) to deposit in a special account the local currency equivalent of aid furnished in the form of grants, to be used only in a manner agreed with the United States; (7) to provide at home and to the United States information on the use made of American aid. Under the plan, the United States was to retain the right to discontinue aid if it was not being used effectively.

On the third point, President Truman recommended that United States aid "should be extended partly in the form of grants and partly in the form of loans, depending primarily upon the capacity of each country to make repayments, and the effect of additional international debt upon the accomplishment of genuine recovery." He also pointed out that "the recommended program of United States aid includes provisions to encourage private financing and investments."

Turning to the fourth basic consideration--the impact of the aid program on American economy--President Truman noted that "a number of the commodities which are most essential to European recovery are the same commodities for which there is an unsatisfied demand in the United States" and that "sharing these commodities with the people of Europe will require some self-denial by the people of the United States." However, he asserted that the program was "well within" American capacity and would cost less than three per cent of national income "during the

life of the program." To relieve the pressure upon home production, he recommended that part of the funds provided under the aid program should be used for the purchase of commodities in countries other than the United States, particularly the other food producing countries of the Western Hemisphere. He pointed out that "under the proposed program of aid to Europe, the total exports to the whole world from this country during the next year are expected to be no greater than our total exports during the past twelve months." Nevertheless, he said that this level of exports would "have an important impact on our markets" although it could be cushioned by adoption of the anti-inflation program which he had already proposed to Congress.

The President dealt next with the consideration which had been given to other international relationships and responsibilities in developing the European Recovery Program. He emphasized the importance to the success of the program of the rehabilitation of western Germany and especially of the Ruhr coal industry, and he pointed out that the over-all estimates included amounts to aid in the revival of this area. He reiterated, however, the determination of the United States that Germany should "never again threaten to dominate Europe or endanger the peace of the world," and he declared that the inclusion of western Germany in the aid program would "not weaken this determination." He deplored the failure of a number of the countries of Eastern Europe to join in the recovery effort, making this effort "more difficult" and "undoubtedly [prolonging] their own economic difficulties."

The President laid special emphasis on the relationship between the recovery program and the United Nations, "because of the central importance in our foreign policy of support of the United Nations." He declared that "our support of European recovery is in full accord with our support of the United Nations" and that "the purposes of the European recovery program are in complete harmony with the purposes of the Charter--to insure a peaceful world through the joint efforts of free nations."

President Truman stated that, far from signifying any lessening of United States interest in other areas of the world, the undertaking of the program of aid for European recovery was the means by which they could "make the quickest and most effective contribution to the general improvement of economic conditions throughout the world."

Outlining proposals for the administration of the program, the President described the major functions to be performed, as follows:

> "The needs of the participating countries must be reviewed in close cooperation with them. Continued relationships must be maintained with the United Nations and with an organization of the participating nations. The requirements for each commodity or service under the program must be carefully evaluated in relation to United States supplies and domestic needs and to the resources of other nations which can help. Decisions must be reached as to the best means of supplying aid and the conditions of aid for each country. Assistance must be given to facilitate the procurement,

transportation, and efficient use of goods. A constant review must be maintained over the use of our aid and the execution of agreements. The results of the program must be evaluated and reported to all concerned--the President, the Congress, and the people.

"Under this program, most of the operations can be carried out through private channels and existing Government agencies.

"Nevertheless, the scope and importance of the program warrant the creation of a new organization to provide central direction and leadership. I therefore recommend the establishment of a new and separate agency, the Economic Cooperation Administration, for this purpose. ...

"It is essential to realize that this program ... represents a major segment of our foreign policy. ... Its administration must therefore be fully responsive to our foreign policy. The Administrator must be subject to the direction of the Secretary of State on decisions and actions affecting our foreign policy. ..."

President Truman concluded his statement with the following remarks:

"This joint undertaking of the United States and a group of European nations, in devotion to the principles of the Charter of the United Nations, is proof that free men can effectively join together to defend their free institutions against totalitarian pressures, and to promote better standards of life for all their peoples. ..."

European Economic Developments

Meanwhile, a number of encouraging economic developments were noted in Western Europe which were expected to facilitate further results from American aid. An improvement in the British economic situation, particularly in coal production, was noted by Herbert Morrison, Lord President of the Council, who told the British people that their effort in the economic crisis was "now taking them around the recovery corner." And Prime Minister Bevin said in the House of Commons that coal exports in the first part of 1948 would be greater than those laid down in the time-table of the Paris European Recovery Program.

Great Britain also renegotiated the British-Canadian food contract. These arrangements assured the maintenance of the balance of Canadian agricultural products and the uninterrupted supplying of British markets, despite the dollar shortage common to both countries. Through the conclusion of a wheat pact with Australia, Great Britain saved $120 million and relieved the drain on United States food supplies. The British Minister of Food, John Strachey, said that this agreement had "the advantage of saving dollars," and the taking of "the whole British requirement off the hands of the United States Government which we realize is making intense efforts to feed Western Europe and other areas which may be in great need in the remainder of the crop year."

The British also concluded (December 27) a trade pact with the Soviet Union which will provide 750,000 tons of coarse grain to Britain between February-September 1948, in return for various British goods and equipment. In addition, arrangements were concluded for the repayment of certain British wartime credits to the Soviet Union, British claims for supplies and services rendered during the war being generally waived. By next May, furthermore, discussions will be renewed for an expanded program of balanced, longer-term trade arrangements.

On the financial side, also, the U.S. Treasury revealed that it had unfrozen the balance of the British loan (which had been temporarily frozen in August because of the failure of the British to maintain sterling convertibility) and that Great Britain had withdrawn an additional $100 million of its credit balance.

On the European continent two agreements were reached, under the auspices of the Economic Commission for Europe, governing international road and rail freight movements, which should facilitate the passage of goods between the participating countries. At the meeting of the Inland Transport Committee (ending December 6) eight governments (Great Britain, France, The Netherlands, Sweden, Switzerland, Italy, Denmark, Czechoslovakia) and the three western zones of Germany agreed, for a six-months' trial period, to grant or maintain freedom of transit for all road-transported goods across their respective territories. Then on December 16, agreement was announced by fifteen countries, including the western zones, on the restoration as of March 1, 1948 of the freight car clearing system used before the war. Since the end of the war a temporary exchange system, requiring the frequent "balancing" of international movements, has been necessary to overcome the reluctance of European countries to permit the extremely scarce freight cars to leave their frontiers, fearing they would not be returned.

Toward the end of the month, it was announced that the joint commission studying the question of a Franco-Italian customs union had signed on December 22 a favorable report which, however, would not be made public until it had been studied by the two governments. However, the Italian and French heads of the commission remarked that the plan had been framed with a view to being the first of a series of customs unions with other European countries. This would be in accordance with the suggestions made last summer for the study of European customs-union possibilities by the Committee on European Economic Co-operation.

Finally, on December 31, it was reported that France, Italy, and Austria had agreed to the conditions upon which Congress voted interim aid and that bilateral agreements would be signed on January 2, following which the program of winter relief would begin. The three countries therefore undertake to:

1. Deposit in a national bank the equivalent in local currency of the value of goods allocated to them, to be used for any purpose approved by the United States.

2. Furnish the President of the United States with full information concerning the method of distribution and use of the commodities furnished under the Act.

3. Take all possible economic measures to achieve a self-sustaining economy.

2. Further Emergency Assistance

International Bank Loans

On December 2, Eugene Black, U.S. Executive Director of the Bank, outlined the accomplishments and activities of the Bank in an address in which he also noted that:

> " ... In my opinion we have sufficient uncommitted funds on hand, around 500 million dollars, to take care for the next six months or years time of our most pressing loan applications from countries outside the Marshall Plan area on which we might act favorably."

A mission to undertake economic and technical studies relating to a proposed $40 million Chilean loan from the International Bank left for that country on December 6. The loan has been requested for the financing of hydro-electric development, forest industries, railway electrification, transportation facilities, and port mechanization.

The President of the International Bank, John J. McCloy, said on the 16th that the Bank had received an application from Mexico for a $208,875,000 loan and that staff members were "very pleased" with the application. He stated that a loan to Poland was still under consideration and that all necessary supporting data was in the hands of the Bank. The original amount requested was $600 million, but McCloy said that this amount had been reduced by the Bank in its initial consideration of the Polish loan.

International Fund on Gold Subsidies

The International Monetary Fund approved on December 11 a proposal of the Canadian Government to subsidize the mining of gold with a view to improving its dollar position for world trade. The Fund said:

> "The Canadian Government has consulted with the Fund regarding its proposed gold production subsidy ... . The Fund has examined the present Canadian proposal in the light of its own general statement of policy published today. The Fund has determined that in the present circumstances the proposed Canadian action is not inconsistent with the policy stated by the Fund."

In a more general statement, the Fund made known its policy on gold subsidies in general, stating:

> "The International Monetary Fund has a responsibility to see that the gold policies of its members do not undermine or threaten to

undermine exchange stability. Consequently every member which proposes to introduce new measures to subsidize the production of gold is under obligation to consult with the Fund on the specific measures to be introduced."

U. S. Secretary of the Treasury Snyder said on the 12th that the government welcomed the gold subsidy control policies released by the Fund. He emphasized the special interest of the United States in the furtherance of world exchange stability, because of its being the chief gold-buying country in the world. Snyder added, however, that he saw no need for the subsidization of gold production in the United States.

Argentine "Marshall Plan" Offer

In Havana on December 16, the head of the Argentine delegation to the World Trade Conference said that his nation was ready to loan $5 billion to needy countries since the negotiations of the Council of Foreign Ministers had broken down. He said this offer was being made for world peace as part of the United States Marshall plan, pointing out that "there cannot be any world peace unless aid is given now to nations that need help."

The Argentine delegate also suggested that there be called an international monetary conference at once--to which nonmember as well as member nations of the United Nations would be invited. He criticized the holding of the major portion of the world's gold by the United States, saying that "there is no such thing as the 'Big Four.' Everybody is equal."

Word from Buenos Aires on the 18th revealed that the Argentine Government and financial circles there were "bewildered" by the offer. Foreign office sources explained that what the representative was attempting to say was that if trade figures continued to rise--and if Argentina could get vital materials and equipment such as oil, ships, and machinery--its exports, largely meat and grains, might within the next five years equal the sum of $5 billion.

3. International Long-Term Development Projects

Economic Commission for Asia and the Far East

The second session of the Economic Commission for Asia and the Far East, held in the Philippines, closed on December 6. The session resolved: (1) To request the Food and Agriculture Organization to work out a food program for Asia and to convene a technical conference on timber, (2) To present appeals to producing countries and to the FAO to lower prices on cereal exports, (3) To establish working parties to report on existing plans for industrial development and trade promotion in the region.

The offer of the Indian delegation to hold the third session of ECAFE in India was accepted. The selection of temporary headquarters was postponed until the next session, but in the meantime was referred to the Secretary-General of the United Nations.

Economic Commission for Latin America

An ad hoc committee of the Economic and Social Council submitted a preliminary report to the Council on December 11 in which it recommended the setting up of an Economic Commission for Latin America. This committee was authorized by a Council resolution of August 11, 1947 to "consider the factors bearing upon the establishment of an Economic Commission for Latin America within the framework of the United Nations and ... present to the Council a report with recommendations concerning the creation of such a commission."

In its report, the committee, consisting of Chile, China, Cuba, France, Lebanon, Peru, Great Britain, the United States, and Venezuela, stated that there were "urgent and immediate circumstances in their [Latin American countries] own situation which make the creation of an Economic Commission for Latin America essential." Its provisional conclusions were:

> "The principal activities of such a Commission would consist of studying and finding means to resolve the most urgent problems which derive from the economic maladjustments brought about by the war; raising the level of economic activity of the countries of that region; integrating the Latin American economy with that of the rest of the world with a view to its co-operation in the common effort toward world economic stability; and co-ordinating the activities of the Economic Commission for Latin America with those of other functional or regional organs of the United Nations, including the Specialized Agencies.
>
> "The specific terms of reference of the proposed commission should follow the general outline of the terms of reference of the Commission for Asia and the Far East. These will be drafted by the ad hoc Committee after the views of the Pan American Union have been ascertained. ..."

United Nations Subcommission on Economic Development

The first session of the subcommission on economic development of the Economic and Employment Commission, of the Economic and Social Council, ended on December 16. The subcommission had spent its first meetings studying the principles of economic development generally, as well as in the international field. In its discussion, the subcommission suggested certain guiding considerations, including the need for diversified economies and technology; for the establishment of key industries, even uneconomically sometimes; for co-ordination of development with the stimulation of economic incentive; and for consideration of economic development in terms of the country as a whole.

B. COMMERCIAL POLICY

1. International Trade Organization

Havana Conference

At the continuing United Nations Conference on Trade and Employment, the increasing cleavage in point of view of the more developed commercial states and those in a more immature stage became evident in the course of the meetings held during December. A resolution, presented by the President of the Conference, Sergio Clark of Cuba, was adopted on December 1. This stated that when a vote was necessary only United Nations members would have the right to participate, but that whenever possible a conference "consensus" without actual voting would be utilized in which the wishes of the non-member delegations would be estimated. Non-members present included Austria, Eire, Finland, Italy, Portugal, Switzerland, Trans-Jordan, and the Allied control authorities of Japan.

At a meeting of the committee on economic development on the 1st, two methods were suggested whereby under-developed countries could receive assistance through international cooperation. These were: (1) by financial cooperation and the setting up of organs for the study of exploitation of resources and for the giving of technical advice that would aid industrial and agricultural advances; (2) by the promotion of intergovernmental and private investments through bilateral and multilateral agreements.

The head of the Argentine delegation addressed the Conference on the 2nd stating that his government was unwilling to accept as a "fait accompli" the Geneva draft of the Charter. He pointed out that the fact that the whole world was "living under the dollar sign" constituted "a grave problem," inasmuch as the holding of most of the world's gold by the United States had caused the peoples of all countries to suffer. He affirmed that this problem would have to "be tackled at this Conference in the interest of world commerce." The Argentine representative also charged that the Marshall plan was based on a "monetary" economy that compared unfavorably with the "Molotov plan" which, he said, had its foundations in a "natural" economy.

On the 3rd, the committees on economic development and employment and economic activity commenced an article-by-article consideration of the chapters of the draft Charter. An encouraging note was sounded by the New Zealand Delegation Chairman, Walter Nash, who told the gathering that there was "no reason for pessimism." He said New Zealand was not restricting world trade, adding that "exchange is controlled, so we control imports, because exchange cannot be controlled without control of imports. If we lifted import licensing, we would be without currency reserves in a short time." Nash affirmed that:

> "We do give preference in tariff rates to Great Britain, mainly because of her tremendous war role. Once the balance of payments system has been accepted, as in the charter, we shall give up preferences and discriminations. On the whole, New Zealand's interests

are protected in the charter, which prepared for future contingencies very well, considering present world conditions."

The executive secretary of the Conference, Eric Wyndham-White, told a press conference on December 10 that about 800 amendments had been offered to the Charter as drafted in Geneva, and declared that this large number had slowed down the work of the committees on economic development and commercial policy--key ones in the negotiations on the provisions of the Charter. Wyndham-White pointed out that the chief issue had come to be the matter of quantitative restrictions--including the demands of the less developed countries for assistance in industrial development by means of import quotas, other quantitative restrictions on trade, and preferential tariff systems to protect new and young industries. He explained, however, that the more advanced countries industrially were not opposed to the development of other countries, and that the Geneva draft had included a compromise whereby quantitative restrictions and preferences would be permitted for undeveloped countries in special circumstances if the International Trade Organization first gave its approval to such measures. He noted that without this safeguard:

"If permission is allowed for certain countries to make exceptions to the Charter provisions without the ITO's prior approval, the whole structure and philosophy of the Charter will be changed, and it will be doubtful if the venture to create an ITO will succeed."

In speaking of the January 15 deadline for the writing of the Charter Wyndham-White said he still "hoped" it could be met, and expressed the point of view that:

"There isn't one basic issue on which agreement shouldn't be possible if we all have a sense of the urgency and of the consequence of failure. The issues at stake are tremendous. This is perhaps the last chance of writing a charter of economic peace. I hope this conference will write what can be called the Havana Charter, to stand beside the San Francisco Charter among the great United Nations documents."

Clair Wilcox, Vice Chairman of the United States delegation, reported on the 12th to U. S. Chairman Clayton (who had been in Washington since the opening of the Havana meetings) that of the 602 amendments examined by United States experts 80 might be acceptable, 90 or so should be considered, but that 432--largely in the fields of economic development and commercial policy, including tariff preferences, quantitative restrictions, subsidies, and state trading--were definitely not acceptable. Wilcox pointed out, however, that in general agreement existed on three other main topics--employment, commodity agreements, and restrictive business practices.

The action of the United Nations Department of Information on the 13th in withdrawing its reporter from a closed meeting of the Conference's committee on restrictive business practices, because of British opposition to publicity, highlighted a United States-British clash on this matter. The British had objected to information released on committee and subcommittee business, and entered a motion to the effect that there should

be no more United Nations press releases until there had been a ruling by the general committee. The position of the United Nations press representative, upheld by the United States, was: "If the committee wishes to censor our copy, the meeting will not be reported. ... [existing rules] nowhere restrict the right of the United Nations Department of Information to report on the proceedings."

On the 15th the U. S. delegation abandoned its efforts to have the Conference adopt a system of weighted voting, and accepted the one-country-one-vote principle. This concession to the smaller states was made conditional upon the granting of permanent seats on the proposed executive board to the United States and seven other countries of largest economic importance. It was said, also, that in exchange the United States expected concessions from the undeveloped countries in their demands for quantitative restrictions. Leroy D. Stinebower of the U. S. delegation told an open meeting on the 15th:

> "As an integral part of this decision, the United States will continue to maintain its position firmly on other matters in the charter, both of substance and organization, to which it attached great importance.
>
> "If any delegation felt that weighted voting was an obstacle to its acceptance of some article of substance, that obstacle can now be removed. If any delegation was under the impression that weighted voting was, in the view of the United States, a substitute for satisfactory articles of substance or of structure, that misapprehension is now also removed."

Stinebower urged an executive board of about 15 or 18 members, with the permanent seats allocated on the basis of acceptable statistics as to national income, population, and volume of international trade, rather than solely geographically. On the 17th, it was reported that only seven of the 44 delegations speaking in the debate on the composition of the board favored the United States proposal of permanent seats for the economically more important countries.

The general committee on the same day accepted a resolution introduced by the United States directing the chairmen of subcommittees to make "full and informative" statements to the press after each private meeting in collaboration with the United Nations Department of Public Information.

In the meantime, 40 of the more undeveloped countries were continuing their struggle against the United States and other highly industrialized nations. They inaugurated a movement demanding that a committee on economic development be set up on the same level as the tariff committee, which had been established under the Geneva Charter to act for the ITO in initiating other negotiations for tariff reductions--with membership being limited to those countries that complied with Charter provisions in reduction of tariffs and elimination of discriminatory treatment in international commerce. The undeveloped countries maintained that the Charter would be useless to them unless they could protect their new industries from competition with highly industrialized nations. Many of the 800 amendments

offered to the Charter related to provisions for the change of the tariff committee. A number of these countries further insisted on regional groups concerning tariff matters in Latin America, the Near and Middle East, and the Far East to follow, as they said, the past examples of Great Britain, France, and the United States, among others.

By the end of the month, the three major issues between the important trading countries and the industrially undeveloped countries were clearly delineated:

1. Quantitative restrictions: The industrialized trading nations were generally in opposition to the demands of the undeveloped nations that they should be permitted in the charter to utilize import quotas and other quantitative restrictions, freely and without prior approval of the ITO, to protect their infant industries from foreign competition.

2. Tariff preferences: The undeveloped countries were also seeking to eliminate the prohibition of new preferential tariffs and were especially interested in the right to make such arrangements on a regional basis. The question of prior approval by the ITO also entered into the picture here.

3. Tariff reductions: The less developed states were also attempting to reverse the Preparatory Commission agreement requiring all nations to negotiate for a reduction in tariffs and the gradual elimination of existing preferences, which provision the commercially important nations considered essential to an expanding, non-discriminatory world trade development.

The United States led the group of nations supporting the non-discriminatory provisions agreed to by the members of the Preparatory Commission. This included Great Britain and the English-speaking dominions, generally most of the Western European states, and Cuba and Brazil. The leaders of the undeveloped nations attacking the Geneva provisions have usually been Argentina and Chile, with Poland also taking an uncompromising stand. It has been pointed out that the major points at issue would seem to be ones on which the United States can make no substantial retreat in principle without scrapping its whole post-war foreign economic policy. On the other side of the picture, the claim is advanced that the charter provisions against quantitative and tariff restrictions would tend to freeze the present world economic relationships, maintain the dominance of the developed nations, and keep the undeveloped ones subservient. The United States has taken the position, however, that an expanding, non-discriminatory world trading system must be restored if it is to be able to continue its large-scale foreign aid programs; and that, on the other hand, if a discriminatory and restrictive system is permitted to develop, then this country would have to adopt retaliatory measures in self-defense, which would be likely to injure small and weak countries more than the advantages of the system to them could offset.

On December 29, the committee on commercial policy decided to refer to a subcommittee the ticklish question of the elimination of quantitative restrictions, which action effectively prevented a vote at that

time--a vote which might have broken up the conference had the undeveloped countries won.

Proclamation of Portions of General Agreement

In accordance with the protocol signed at Geneva on October 30, along with the final act of the Trade Conference, President Truman issued a proclamation on December 16 making provisionally effective, as of January 1, certain of the tariff schedules attached to the General Agreement on Tariffs and Trade. United States trade relations with Great Britain, France, Australia, and the Belgium-Netherlands-Luxembourg Customs Union will be affected by this proclamation.

In addition, the Department of State disclosed on December 22 that the tariff agreement with Cuba will also become provisionally effective on January 1 and that the two countries will also apply the Exclusive Agreement, supplementary to the General Agreement on Tariffs and Trade, signed by them in Geneva in October.

C. SOCIAL POLICY

1. International Social Co-operation

International Labor Organization Meeting

The 103rd session of the governing body of the International Labor Organization was held in Geneva from December 11 to 15, with the Peruvian representative elected as chairman to hold office for a year.

A nine-member subcommittee to advise on questions affecting the international industrial committees of the ILO was set up. Further, a program calling for meetings of the committees for chemical industry in France in April or May, for the textiles committee in Cairo in October, November and December, for the building committee in the United States during the last half of 1948, and for the petroleum committee in Geneva, was adopted.

Approval in principle of the establishment of consultative relationships between the ILO and the World Federation of Trade Unions was decided upon. The standing orders committee was asked to submit proposals for the application of such a principle to the WFTU, and to international nongovernmental organizations in general. In view of difficulties many countries experience in sending delegations to far-distant places, the decision was reached to hold the next session of the International Labor Organization in San Francisco in June 1948. It was further decided that the permanent migration committee would meet in Geneva on February 16, and that the next session of the governing body would be in Geneva commencing March 16.

2. UNESCO

Conclusion of Second General Conference

The second general conference of the United Nations Educational, Scientific, and Cultural Organization, which had convened on November 6, closed in Mexico City on December 4 after adopting (in plenary session) a budget for the year 1948 of $7.7 million. It was contemplated this budget would cover programs for reconstruction, the promotion of better international understanding, mass communications, the study of social tensions, the exchange of information, and other related projects. It was also decided that the next general conference would be held in November and December of 1948 in Beirut, Lebanon.

On the 2nd, the Polish delegation had left the plenary session in a refusal to participate in a vote on whether the conference should reopen the question of the relations of UNESCO to Germany and Japan. The chief of the Polish delegation said that they had left the meeting because they considered it premature for any action to be taken on Germany at that time. He explained:

> "Member nations of UNESCO are sovereign states, while Germany's sovereignty is exercised by the Occupation Authorities. We feel at this stage that the German problem can only be solved by the Military Occupation Authorities and not by UNESCO nor by co-operating with German Governments. It is our belief that UNESCO's work should be limited to consultation with the Occupation Authorities only."

At the plenary session on the 3rd, a letter was read by the president of the conference from the head of the Polish delegation. This stated that aid for educational and cultural reconstruction in the war-devastated parts of the world was considered "philanthropy" and that "it was the tendency of the United States to monopolize such aid in accordance with her own political objectives." The letter further said that the Polish delegation would take no part in or vote on the program and budget for 1948, because two points of view had become apparent with respect to the proper activities of UNESCO. One, it was pointed out, was represented by the countries that had sacrificed the most in the struggle against fascism and which wanted UNESCO to be an organization of international assistance for the rebuilding of culture. The other viewpoint was that adopted by the representatives of the United States. The letter continued on this score: "Under pressure from states which did not experience invasion and primarily under pressure from the United States, all resolutions aimed at giving real aid in the work of reconstruction in devastated areas had been excluded from the program." After the reading of this letter, the session voted to reopen the question of relations with Germany. A resolution was adopted providing that, in 1948, UNESCO should enter into negotiations with the Allied Authorities in Germany and--subject to approval by the executive board and within budgetary restrictions--would conduct surveys and possible experiments in Germany. Czechoslovakia stood alone in voting against this resolution.

Its representative explained that "Czechoslovakia like other countries which were occupied did not oppose any inquiry or investigation. But we are decidedly opposed to any work by UNESCO in Germany. Germany needs political re-education which UNESCO cannot give for the time being and I must therefore vote against any funds which would be appropriated for that country."

A summary of the projects approved by the conference covered the following topics:

Education: This work was given a top-priority for 1948, with six international study seminars scheduled,including one on problems of teacher education, another on childhood education, a third on education through youth agencies, and a fourth on teaching about the United Nations. Another project concerned the promotion of an international charter for youth--urging all nations to provide educational opportunities for youth.

Educational Reconstruction: Special emphasis to be placed on the rebuilding, repairing, and restocking of educational, scientific, and cultural centers in war-devastated countries. Investigations by research teams, commenced in 1947, on war-losses of member countries were to be continued--including surveys of educational institutions, libraries, art and music centers.

International Understanding: The plan to promote international understanding through schools and adult education (as well as by a number of other activities outside the field of education) was on the list of activities of UNESCO in this field.

Mass Communications: Projects under this category included those in the fields of the press, radio, and screen--with the aim of using these media in the cause of peace.

Science: Four field science co-operation offices--the Middle East, the Far East, India, and Latin America--were planned. These would serve as liaison centers for science and technology between deficiency regions and more highly developed parts of the world. In addition, UNESCO would assist in the development of an International Institute of the Hylean Amazon, designed to develop and co-ordinate research activities in that region, and to give grants-in-aid to scientific and other societies engaged on projects of international importance.

III. POLITICAL PROBLEMS

Francis B. Sayre, president of the United Nations Trusteeship Council and member of the United States delegation to the second session of the General Assembly, told the American Political Science Association on December 28 what, in his view, should be the policy of the American people "in the face of the persistent Soviet campaign of calumny and blistering abuse." Sayre asserted that:

> "First, America's policy must be based unswervingly upon right and humanity and justice. Upon that path we must go forward unflinchingly and unafraid. Otherwise we must forfeit our leadership. America has no choice.
>
> "Second, America must determine her course, undeflected by the Soviet stream of vituperation, which is doubtless due in part to fear, in part to a deep-rooted inferiority complex, and in part to widespread ignorance. America is strong enough and great enough to follow whatever course is right and wise, irrespective of Soviet abuse.
>
> "Third, we must not dally with appeasement. That means disaster on the morrow. The way to peace lies not through appeasement, but through firmness in following unflinchingly the right. ...
>
> "Fourth, this does not mean simply 'getting tough' with Russia. We need the Soviet's assistance and cooperation in reconstructing Europe and in the gigantic job of building a lasting peace. We must win the Russian people's help if we can. We have no right to conclude that this is impossible. The situation demands uncommon tolerance and understanding."

A. POLITICAL INDEPENDENCE AND FREE INSTITUTIONS

1. France

Franco-Soviet Relations

A series of sharp exchanges between France and the Soviet Union occurred during December. Unofficial observers saw a connection between the diplomatic skirmishes engaged in by the two governments and the strained relations generally between the Soviet Union and the Western Powers. In a note delivered to the French chargé d'affaires in Moscow on the 9th, the Soviet Union expelled the French repatriation mission there and broke off trade negotiations for the emergency sending of wheat to France. The French Government, in turn, dismissed the Soviet repatriation mission in Paris. The Soviet note, broadcast over the Moscow radio the night before it was delivered by Deputy Foreign Minister Gusev, charged that the French Government had unilaterally annulled the two-year-old repatriation treaty and had committed acts "hostile and contrary to the spirit of alliance and mutual assistance" between the two states. Gusev asserted in the note that:

"On December 6, I received your letter, which shows that the French Government is unilaterally annulling the Franco-Soviet repatriation agreement of June 29, 1945, and intends to terminate the work of the Soviet repatriation mission, and that furthermore it accuses two members of the Soviet repatriation mission ... of subversive activities against France.

"I have been instructed to say that the Soviet Government regards the charge of subversive activities against France levelled against two members of the Soviet repatriation commission as foul slander devoid of any foundations and fabricated by the French Government in order to justify its arbitrary actions in regard to Soviet citizens in Beauregard and to members of the Union of Soviet citizens in France and its arbitrary proceedings in unilaterally annulling the Franco-Soviet repatriation agreement, and also in order to mislead French public opinion on the subject of the true position in France at the present time. ...

"The Soviet Government has instructed all members of the Soviet repatriation mission to leave France and requires that members of the French repatriation mission in the U.S.S.R. leave the territory of the U.S.S.R. forthwith.

"On December 5, the Soviet Government received an application from the French Government for visas to Moscow and back for eighteen members of a French delegation coming to the U.S.S.R. for talks regarding a treaty on the mutual delivery of goods.

"I have to inform you that in view of the hostile position adopted by the French Government with regard to the Soviet Union, the Soviet Government has resolved to terminate trade talks with France and withdraw visas."

The incidents which led to the writing of this note began during November when some French police raided the repatriation camp at Beauregard to locate three French children, who, it was maintained, were being wrongfully taken to the Soviet Union. Shortly thereafter 19 Soviet citizens were expelled from France for "interference in French internal affairs," and on the 9th of December the 12-member Soviet repatriation mission was ousted from France for "subversive activities endangering the security of the state."

On the 11th the Soviet note was rejected after the French Cabinet had decided that its terms were unacceptable. A French spokesman, discussing this action, said that it was not considered suitable to mix questions of repatriation with those relating to trade talks and the Franco-Soviet treaty of alliance against Germany. He reported that France had no intention of violating that treaty. The Schuman Government proceeded to prepare two notes: one dealing with the Soviet protest over the Beauregard raid and French resumption of control of that camp, and the other on the expulsion of Soviet citizens from France. The first of the two notes, delivered on the 11th, rejected the Soviet contention that the raid was not justified and that the camp was not being managed along the

lines laid down by the Franco-Soviet repatriation agreement. It was maintained that, because of French leniency, the camp had been administered entirely by the Soviet Union, but that this in no way influenced the principle established in the agreement that sovereign power was in the state in which the camp was located.

A debate on the repatriation dispute began in the French Assembly on the 12th. However, Premier Schuman said at its opening that the government was not ready to have a general discussion on French policy towards the Soviet Union--as Foreign Minister Bidault was in London attending the meeting of the Council of Foreign Ministers. After the debate, which was confined to the expulsion of the French repatriation mission in Moscow, the Schuman Government by a vote of 411 to 183 (Communist bloc vote) was supported in its attitude.

Communist Threat to Government

The National Assembly resumed debate, on December 1, on a proposed law in defense of the right to work (strike bill). The sharp cleavage between Communist deputies and others present was again evidenced when a Communist member suggested that the Army should refuse to obey the government. President of the Assembly, Edouard Herriot, accused this deputy of mutiny and asked that he be temporarily expelled. The Assembly so voted, but the other Communist deputies rallied round to prevent the ejection of their colleague. An all-night sit-down strike was staged in the chamber. However, in the morning, the Communist member left peaceably with the unarmed military guard that had been detailed to expel him, by force, if necessary.

On the 2nd, the first of the emergency bills authorizing the government to call up 80,000 reserve forces was passed. The next day the Assembly adopted the first article of the strike bill, by a vote of 402 to 183 (the Communist bloc). This article provided for the suspension of certain provisions of the penal code until February 29, 1948, in order to make effective the emergency measures before the Assembly. On the 4th, on its second and last reading, the entire bill was approved by a vote of 403 to 183. This bill provided heavy penalties of fines and prison sentences for sabotage, incitement to strike and interference with the right to work.

In the meantime, a gradual return-to-work movement was under way although, on the 4th, there were indications of increasing violence in some areas, including the deliberate derailment at Arras of the night express from Paris to Lille with the consequent loss of 20 lives. By the 5th, strikers held almost complete possession of the city of Nice.

A day earlier, Premier Schuman had offered government workers increased pay and family allowances totalling 110 billion francs per annum, but union leaders considered this sum too small. Representatives of seven of the 11 federations of government employees in Paris voted to call a two-day warning strike on December 8 and 9 to show opposition to this government offer.

President Auriol, on the 5th, denied a request of the Confédération Generale du Travail to withhold the application of the new strike law in order to permit negotiations between the strike leaders and the government. The Minister of the Interior, Jules Moch, told the General Assembly that the police and troops who had previously been instructed not to shoot even if attacked would now fire if subjected to "serious and widespread violence," or in defense of positions they would otherwise lose. He explained that this move met with the "full accord [of] the Premier." Communist leader Thorez' response to Moch was: "A Government of assassins," to which Moch retorted: "I say to Thorez that despite the 7,000 men he gathered at a meeting in Henin-Leitard, he is not yet the master of France."

Following a meeting of the executive committee of the CGT, also on the 5th, the committee issued a statement saying that it had reviewed the situation and had noted that a peaceful solution could be reached and strikes avoided by fulfilling the "modest and legitimate claims" of the workers, along the lines adopted by the commercial employees who had voted against striking. The statement added that the committee, in view of the urgency of the situation, had asked for an interview with President Auriol. A few hours later the requested interview was granted. This more moderate attitude of the CGT was further apparent on the 6th when doubt was expressed that the government employees would take part in the scheduled two-day warning strikes. Jules Moch stated: "The battle is won." However, the following day, despite a general slackening in the strike wave, transport unions decided to call a Paris subway and bus strike. These walk-outs, however, failed to materialize as did that of the government workers. On the 8th, the Schuman cabinet issued what was a virtual ultimatum to the strikers--announcing that those who were back at work on the 10th would be given, with the other workers, the full cost-of-living bonus decreed on November 24. The government made no concessions on principal points, and stated categorically that all negotiations with labor leaders were at an end.

The newly formed strike committee of the CGT accepted the offer of the government on December 9. The major provisions comprised:

(1) An agreement that no worker would be punished for striking, but that those guilty of sabotage, violence, and interference with the freedom to work would be punished.

(2) The provision that no pay would be handed workers for time lost in striking, but they, like all other workers, would receive the new cost-of-living bonus (1,500 francs or $12.68 a month in Paris and 1,125 francs or $9.50 elsewhere, effective from November 24).

(3) The decision to pay family allowances, recently increased, to strikers and nonstrikers, according to the law of 1946.

(4) The stipulation that the government after consultation with union leaders and other groups would try to insure a stable relationship between wages and prices until June 1, and would fix a guaranteed minimum wage effective as of December 1.

(5) The provision that a delegation of the national economic council would offer suggestions on the application of the wage and price decisions of the government.

By the 10th, almost all workers had returned to work. President Schuman asserted in a broadcast that the republic had just "undergone a severe assault, and our workers defended it magnificently." He urged everyone to follow the "great majority of wage earners" by cooperating to raise the standard of living. He added that "with the aid of our American friends and a better distribution of goods," advancement towards prosperity was possible. The executive committee of the Socialist party pointed out that the vast majority of the workers had "refused to follow the orders of the Communist party, causing the failure of its policy of adventure dictated by the Cominform without regard for the real interests of the working class."

Formation of the Force Ouvrière

The first meeting of the Force Ouvrière, a group formed within the Confédération Generale du Travail to force the Communist party from control, was addressed on December 18 by Léon Jouhaux, veteran leader of the liberal labor movement. He warned the new body against splitting the ranks of the CGT (which claimed a membership of six million workers) and suggested the appointment of a committee to list specific charges against Communist control especially during the strikes. Jouhaux advocated the presentation of these charges to the Communist leaders of the CGT with a request for a reply.

However, at its session on the 19th, with representatives from all parts of France present, the Force Ouvrière voted by a large majority for secession from the CGT. The resolution covering this decision reaffirmed the need for the maintenance of an independent and nonpolitical trade unionism as well as declaring "unshakable hostility" to the establishment of "personal power." It accused the Communists of violations of the syndical statute, and asserted that syndical unity had been broken by departure from the movement of many union members who disliked the Communist policy. Lastly, the resolution called on Force Ouvriere leaders to set up a new organization to prepare the way for a constituent congress. Jouhaux, who had been co-secretary of the CGT with Communist Benoit Frachon, immediately resigned from that organization, together with four additional colleagues.

The new movement was first mentioned in the General Assembly on the 21st when a Socialist deputy from Marseilles praised it as " a worthy attempt to return France's labor movement to its former non-political spheres of activity." Communist deputies, however, declared that the new group would achieve nothing but a division in the ranks of labor. Meanwhile Force Ouvrière units were being formed in nearly every industry. Spokesmen for the group said they were gaining ground among the railway workers, who had been very recalcitrant at Communist strike demands--only one major railway system having been completely tied up during the strikes. The Paris section of the public employees union announced on the 21st that it would join the Force Ouvrière. This was the first

large union to leave the CGT. Jouhaux, on December 24, estimated that the new group could count on about one million partisans.

On December 27, the national council of the Popular Republican Movement (the party of Premier Schuman) passed a resolution formally allying itself with the Force Ouvrière. It welcomed this "grouping of the democratic and social forces" in France, and instructed its executive committee to co-operate with the group. This resolution was said to have been influenced by the abstention of the de Gaullists and extreme Rightists in the voting on the anti-inflation bill. That alignment made it clear that the new "third force" would be the basis for the Schuman Government. The MRP council urged the "third force" to work for the restoration of the purchasing power of the currency, the suppression of the black market, the prevention of further price rises, and increased production.

Financial Program

The National Assembly was presented on December 19 with a summation of the Schuman anti-inflation program by the Minister of Finances and of Economic Affairs, Réne Mayer. He outlined a program based on a balanced budget, a balance between wages and prices in the next six months, larger taxation, and a government bond issue for reconstruction purposes. Included with two bills providing for deductions from capital wealth to float the loan (and setting forth the details of this issue) were a number of measures of financial and economic reform. Among these were:

1. Much the same budget as in 1947, but with certain changes--including the giving up of subsidies to essential products and to nationalized industries.

2. Provision for tariff rates and indirect taxes in the amount of 40 billion francs.

3. The increase of wages to a minimum of 52 francs and 50 centimes an hour, in addition to the 1,500 franc cost-of-living bonus, and the continuance of this level until June 1948.

4. Large imports in order to hold down food prices, these imports to include wheat and fats from the United States and meat from Argentina.

5. The setting up of three separate schedules on prices: (1) the maintenance of all controls on essential goods; (2) the supervision of less scarce goods by professional organizations; (3) the abandonment of controls on all other goods.

Debate on this so-called austerity program opened in the Assembly on the 20th, during the course of which Premier Schuman again stated that the government would continue unyielding in its attitude

to the Communists, and that it planned to forestall any movement by the de Gaullists for new general elections. He said that in this time of great economic crisis he was not ready to debate political phases of the situation, but that later he would be ready to do so. On the 22nd Schuman defended his government from demands by the de Gaullists in the Assembly for new elections. A de Gaullist deputy maintained that the Premier's position in 1940 disqualified him to lead in this time of economic difficulty, and asserted furthermore that the recent municipal elections had taken away the authority of the government. In reply the Premier said:

> "Since 1945, the voters of France have been consulted nine different times, which is something of a record. There has been an effort to call in doubt the Government's signature. In the present circumstances, that is a form of sabotage worse than we had to face when we passed the security laws. It is worse because, instead of threatening the lives of individuals, it threatens the life of the nation."

He charged that the de Gaullists wanted to set a "sliding scale" to judge the popularity of governments.

Two days later the Assembly passed the forced loan bill by a vote of 351 to 189, and the "exceptional levy to fight inflation" measure by a vote of 300 to 268. However, the tax bill had been amended to exempt about 800,000 peasants and small businesses from the special anti-inflation tax, largely through the support of de Gaullists, Communists, and the right generally. The Minister of Finance immediately asked the finance committee of the Council of the Republic to consider this amendment. Unofficial estimates figured the loss in revenue resulting from it would range from 30 to 50 per cent, although word from the Premier's office declared that it cut revenue only by a small amount.

The National Assembly accepted on December 31 a civil budget for 1948 and a military budget covering three months--a total of about 900 billion francs. In anticipation of the adoption of a special tax measure, Premier Schuman broadcast to the French people to explain the bill in general. He said that the rise in industrial prices caused by wage increases would not affect family budgets noticeably and declared that the new industrial prices and level of wages would be held without much change in the price of food. The Premier asserted that higher taxes were essential to prevent economic disorder and disastrous inflation, declaring:

> "How can we accept the generous aid of our American friends if we do not ourselves make the most heroic efforts for our salvation. Remember that because of the aid granted to us the United States Government must take severe measures against inflation and reestablish rationing."

2. Italy

Communist Campaign Against Government

Strikes and violence continued in Italy during December as Premier de Gasperi endeavored to strengthen his position by adding representatives of the Republican and Right-Wing Socialist parties to his cabinet. Communist leader Palmiro Togliatti, expressing the opposition of the Communist and Left-Wing Socialist parties to such a move, threatened a "nation-wide reply" if a reorganization along these lines materialized.

With riots occurring near the Italian capital, the Communist-dominated Rome Chamber of Labor presented a virtual ultimatum to the government on the 6th. It contained three demands: (1) "Immediate punishment of officials and policemen" who perpetrated violences "in many quarters of Rome against women, children and old men." (2) An "immediate appropriation" of 10 billion lire ($17 million) for public works to provide jobs for the unemployed. (3) The payment of a special Christmas bonus to all unemployed in Rome. It was generally believed that failure by the government to comply with the provisions of the ultimatum would result in a general national strike.

On the 7th the Communists staged a march of 20,000 uniformed partisans through the streets of Rome, an occurrence which was likened to the 1922 "march on Rome" when Mussolini seized power. However, the police and army were kept indoors and the parade broke up without violence. Meanwhile, Premier de Gasperi continued his efforts to bring Right-Wing Socialists and Republicans in his cabinet, along with conducting negotiations with the Rome Chamber of Labor.

The Chamber of Labor called a general strike in the province and city of Rome beginning on the 11th and involving about 1.5 million persons--the largest strike the Communist party had yet attempted. The government was accused by the Chamber of using "fascist methods." However, on the 12th the strike was called off after the government agreed to additional appropriations for public works, and promised to pay Christmas bonuses to the unemployed in Rome.

Premier de Gasperi won his largest majority in the Constituent Assembly on the following day with the defeat (216 to 111, with 4 abstentions) of an anti-government motion presented by Left-Wing Socialist leader, Pietro Nenni. This motion asked for a parliamentary investigation into incidents that had occurred on December 11 and had resulted in the beating by police of four or five Communist deputies. De Gasperi was supported by both Republicans and Right-Wing Socialists, leaving only the Communists in opposition.

The formation of a new cabinet was announced by the Premier on the 14th, in which Republicans and Right-Wing Socialists were represented. This strengthened the government parliamentary position in its ability to control a possible 305 out of the 556 votes in the Constituent Assembly. The new coalition cabinet, technically a continuation of the old--not requiring approval of the Assembly--contained eight Christian Democrats,

three Republicans, three Right-Wing Socialists, four Independents, and one Liberal.

The Premier presented his new cabinet to the Constituent Assembly on the 16th. He termed it "more representative" of the Italian people, and an "emergency" body to remind the "privileged classes of their social duties, consolidating the republican regimé and preparing for a general election." He pledged a general election on or before April 18, but warned that it was "necessary, however, that civil tolerance should prevail so as to guarantee freedom... ." In the Assembly on the 17th de Gasperi was warned by Pietro Nenni, left-wing Socialist leader, that an attempt to isolate the left-wing parties was very poor policy because it would "force the working class to abandon the lawful methods it [had] followed." The next day the Assembly debated United States policy toward Italy. Communist leader Palmiro Togliatti accused United States Ambassador Dunn of going beyond his duties and organizing an anti-Communist front. This charge was denied by Foreign Minister Sforza who declared that the United States had not interfered in the internal affairs of Italy.

The Assembly voted its confidence in de Gasperi (303 to 118, with 14 abstentions) on the 19th, the largest majority obtained by the Premier since his removal of Communists and left-wing Socialists from the cabinet. Before the vote, de Gasperi told the Assembly that the principal objectives of his fifth cabinet were to lead Italy to democracy and to co-operation in the reconstruction of Europe along the lines of the Marshall plan. In direct answer to the Communists, he asserted:

> "There is nothing servile in accepting American aid. If America had not helped us, no Government would have survived the reaction of the unemployed and hungry workers."

Approval of New Constitution

The new Constitution of the Italian Republic was approved by the Constituent Assembly (453 to 62) on December 22--to become effective on January 1. Enrico de Nicola, who had been provisional president, was proclaimed first President of the Italian Republic. All articles of the Constitution, except one declaring that Italy was a Republic, were capable of amendment.

In general, the document provided for a republican democracy in which the rights of property were recognized, but with severe limitations. Workers were granted the right to strike, but employers were not granted the right of lockout. One provision placed an obligation upon the Republic to provide employment for all its citizens. The Lateran Agreements of 1929, which were made part of the Constitution, regulated the relationships between the church and state. A constitutional court, similar to the Supreme Court of the United States, was set up to pass on the constitutionality of laws enacted by the parliament, and to adjudicate disagreements between the branches of the government. The legislative body was established bicamerally, with a lower house or Chamber and an upper house or Senate--each to be in office for five years, unless the legislature should be dissolved by the president. Women received equal rights with men in every

respect, and freedom of religion was guaranteed even though the Roman Catholic Church was named as the official body. On the 27th President de Nicola signed the new Constitution, along with Premier de Gasperi, and the president of the Constituent Assembly.

3. Greece

United Nations Special Balkan Committee

It was announced on December 5 that Yugoslavia had notified the United Nations that it would not co-operate with the Special Balkan Committee. On the following day, in the expectation that Bulgaria and Albania would pursue the same course, the Committee decided to establish its observation groups on the Greek side of the border as soon as possible. Confirmation of the opinion as to Bulgaria and Albania came on the 17th, when a communique' was issued in Sofia concerning a friendship pact signed by the two nations. The announcement said:

> "The treaty is in the full spirit of the principles of the United Nations organization. As regards the United Nations Balkan investigation commission, both delegations consider it is created in violation of the United Nations Charter and against the sovereignty of the Balkan nations."

American Aid Program

In a speech on December 12, George C. McGhee, Coordinator for Aid to Greece and Turkey, called attention once more to the strategic importance of Greece in efforts to impede the spread of Communism. He said in part:

> "The guerrilla warfare which is raging in Greece today is not a simple effort by dissatisfied Greeks to overthrow the present Greek Government. It is part of a well-planned campaign, assisted by unfriendly foreign governments, which is designed to tear Greece away from the democracies of the world and to force upon her a totalitarian government which would operate as a puppet of the Communist regime. Efforts on the one hand by Greece and her friends to preserve Greek democracy, and by the Communists on the other to transform Greece into a satellite, have developed the characteristics of a tug of war, the results of which will determine not only the fate of Greece but will have a profound effect upon many countries in Europe, the Middle East, and other parts of the world. ...
>
> "As a result of these factors the Department of State is giving serious consideration at this time to the question of additional aid to Greece during the present fiscal year and after the expiration of the present program. Greece is ... one of the 16 European countries in the European Recovery Program ... designed to meet the economic needs of the participating countries on a cooperative basis, and under the plan the deficit in Greece's balance of payments would be provided for. There are, however, other equally important Greek requirements for which provision would not be made in the European Recovery Program. I particularly have in mind the need for foreign

assistance in equipping Greece's military forces so long as the guerrilla warfare continues and remains a threat to Greek independence."

On the following day, the United States mission in Athens issued a comprehensive report on the program, stating that over $23 million of relief supplies and 74,000 tons of military supplies had been delivered during the first five months of the aid program and that the Greek budget would show a deficit of only $4 million when the mission agreement expired on June 30.

Evidence of a growing rift in the coalition government was reflected in an aide mémoire handed to Premier Themistocles Sophoulis on December 18 by U. S. Charge' d'Affaires Karl Rankin upon his return from Washington. The message emphasized the importance placed by the United States on "the continued co-operation of the two major parties, which is more than ever necessary during the present critical period." It suggested that any suspension of governmental activities (as occurred during the Cabinet crisis in September) would have "not only an extremely bad effect on the success of the program of aid to Greece, but would inevitably affect adversely the consideration of further aid to Greece and Greece's share in the European Recovery Program."

Establishment of "Free" Government

The Greek Government, in the face of strong Communist opposition, continued attempts to suppress outlawry. Throughout the early part of December rumors persisted regarding the formation of a provisional government in "free Greece"--the French Communist organ Humanité predicting that its coming into being was "only a question of days." Just one week later, on the 24th, the establishment of the "First Provisional Democratic Government of Free Greece" was announced over the "Democratic Army's" radio. The Greek guerrilla leader, General Markos Vifiades, was named Premier and Minister of War in the new Communist government.

The text of the proclamation read over the guerrilla radio was monitored and given out in London by Leftist Greek sources. It stated:

"Taking into consideration, first, the constitutional decrees of the Democratic Army of August 10, 1947, and secondly, the need which has now become imperative through the annihilation of our national independence and the non-existence of a national government, we proclaim the first provisional democratic government of free Greece. Its main objects will be:

"First, to continue and develop by all means the struggle of the Greek people against the foreign imperialists and their Greek lackeys in order to re-establish the freedom and independence of Greece.

"Secondly, on popular and democratic lines, to take measures to promote popular justice, land reform, education, etc., and to satisfy the immediate needs of the people.

"To further these aims the government will issue laws and orders. The laws will be issued by the whole government and the orders by the ministers concerned, countersigned by the Premier. ... Finally, as soon as conditions permit, the government will organize a general election for a National Assembly."

Following this development, immediate consultations were held by Greek Government leaders in Athens. Premier Themistocles Sophoulis conferred with the United States Chargé d'Affaires, Karl L. Rankin, and British Ambassador Sir Clifford Norton. Later, Premier Sophoulis said that his Government would not move to outlaw the Communist party and its affiliated groups, but that they might be considered to have outlawed themselves by their own actions. The first actual countermoves were taken on the 25th, when some 500 arrests were made of men accused of plotting to assissinate various prominent political figures--including former Deputy Premier Stylianos Gonatas, General Napoleon Zervas, and George Papandreou, Social Democratic leader and former Premier.

An effort by the Communists to obtain a capital for their "government" on Greek territory was seen in a guerrilla attempt to capture Konitsa near the Albanian border. The attack began on December 26 and developed into what was termed an endeavor to seize the whole of Epirus--a Greek province lying next to the Albanian frontier. Greek Army forces, however, were hurried into the area. On the 31st an announcement from the Ministry of War said that the guerrillas had been beaten back, and it was thought that the battle for Konitsa was virtually finished.

On December 26, a Yugoslav Foreign Office spokesman declared that he had no authority to make "any statement on the position of our Government" on the rew regime, but added:

"I consider it necessary to emphasize that our peoples have been looking with sympathy at the heroic struggle of the Greek people against foreign expansionists and they consider the forming of the Provisional Government ... as representing a considerable step in the struggle for the independence and freedom of Greece."

A British Foreign Office spokesman declared on December 29 that recognition by any country of the Communist state proclaimed in Greece would cause a "grave deterioration in the world situation." The next day Acting U. S. Secretary of State Lovett released the following statement:

"The claim of certain Communist guerrilla leaders that they have established at some unknown point a 'first provisional democratic government of Free Greece' is a transparent device, the true purpose of which will be clear to everyone. It is only a phase in the familiar effort of certain elements to overthrow the legitimate and recognized Greek Government and to threaten the territorial integrity and political independence of Greece. It came as no surprise. In itself, it would not materially change the existing situation.

"But if other countries were to recognize the group, this step would have serious implications. It would be clearly contrary to the

principles of the United Nations Charter. And if the country concerned were one of Greece's neighbors to the north, the act would constitute an open disregard of the recent recommendations of the United Nations Assembly, as set forth in the resolution of last October."

Greek Appeal to United Nations

In a note sent to Secretary-General Trygve Lie on December 29, the Greek Government formally charged Yugoslavia with violating two resolutions passed by the General Assembly during its 1947 session--in connection with problems arising from the establishment of the "Government of Free Greece." The particular complaint made was that the proclamation of the new regime' had been broadcast by the Yugoslav Government over its radio. This action was held to violate the resolution adopted by the Assembly in October dealing with the Balkan issue, which called on Yugoslavia, Bulgaria, and Albania to "do nothing which could furnish aid" to the guerrillas. Greece also claimed that the Yugoslav broadcast was a violation of the Assembly resolution against war-mongering, which condemned "all forms of propaganda ... designed or likely to provoke or encourage any threat to the peace, breach of the peace, or act of aggression."

4. Turkey

Anti-Communist Demonstrations

Following the announcement lifting the state of siege in Istanbul and five other provinces by the Turkish Government, reports from the Turkish capital on December 27 disclosed that anti-Communist demonstrations there had increased. Approximately five thousand rioting students forced the president of Ankara University, who had been charged with failing to act against alleged Communist members of his staff, to sign a letter of resignation. Troops were ordered to guard the Soviet Embassy, and the police scattered other groups of students trying to demonstrate before the National Assembly Building. Moderate and official circles in Istanbul were said to be concerned by this movement, termed by its originators "anti-communist," as it was feared it might evolve into an attack on the newly achieved independence of Turkish universities and might be utilized as a tool for the extreme Rightists.

5. States in the Soviet Orbit

Foreign Policy of the Soviet Union

The December 9 issue of Pravda contained a summary of a report delivered by G. Malenkov, a member of the Politburo, at the conference of European Communist parties held in Poland during September 1947. The Malenkov speech, setting forth information about the activities of the Central Committee of the Communist party of the Soviet Union, fell into three categories: (1) questions relating to the direction of Soviet national economy in the postwar era; (2) questions of party organization; and (3) foreign policy principles of the Soviet Communist party. After pointing out that one of the most important results of the Second World War was the "strengthening of the USSR and the establishment of new demo-

cratic régimes in a number of countries under the direction of the working class," Malenkov proceeded:

> "In these new postwar conditions changes are taking place in the relations between yesterday's military allies. ... Two opposite directions of international policy have been determined. The Soviet Union and the countries of the new democracy are carrying out one policy ... directed at the undermining of imperialism, at the guarantee of a secure democratic peace between peoples and the universal strengthening of a friendly cooperation of peace-loving nations. ... The other direction of international policy is headed by the ruling clique of American imperialists. Striving to make secure their position ... this clique has risen on the path of open expansion, of enslaving weakened capitalistic countries in Europe, enslaving colonial and dependent countries, and on the path of preparation of new military plans against the USSR and countries of the new democracy under the flag of battle with the 'communist danger'. The more clear and concrete expression of this direction of the policy of American capital is found in the plans of Truman-Marshall. ...
>
> "We are basing ourselves on the fact of the unavoidable existence over a prolonged period of two systems--capitalism and socialism--and are holding to the course of supporting loyal neighborly relations with all those states which show a desire toward friendly cooperation under conditions complying with the principles of reciprocity, and in fulfillment of obligations taken upon themselves. ... In regard to countries which are authentic friends and real true allies of the Soviet state--to countries of the new democracy--the USSR is always ready to go and goes to [their] support, giving them wide aid and firmly defending their interests. ...
>
> "Insofar as the antagonistic classes in the USSR are liquidated and the moral-political unity of the Soviet society has been attained, the whole acuteness of class struggle for the USSR has shifted now on to the international arena. Here is taking place the rivalry of two systems--capitalistic and socialistic. Here our party must test its arms in battles with the cunning leaders of the bourgeoisie policy. ..."

a) Albania

Albanian-Bulgarian Pact

The Governments of Albania and Bulgaria signed a treaty of friendship, collaboration, and mutual assistance at Plovdir, Bulgaria, on December 16. The Sofia radio reported that this pact covered economic agreements. On the 22nd the Moscow radio asserted that the presidium of the Bulgarian Grand National Assembly had ratified the treaty.

b) Bulgaria

New Constitution and Cabinet

The National Assembly approved by unanimous vote on December 4 the new constitution, termed by President Kolarov "one of the most democratic and progressive constitutions in the world." On the 9th, the

Communist-dominated government of Premier Georgi Dimitrov submitted what was described as "a routine resignation" as reorganization under the new constitution took place. The National Assembly elected a new presidium--a nineteen-man committee which, in the Bulgarian system, acts as chief of state. Former Communist Minister of Education Mintcho Neychev was chosen president, and ten other Communists were selected to serve with him. At a meeting on the following day, the National Assembly named Dimitrov to form a new government in accordance with the procedure laid down in the constitution.

Premier Dimitrov announced the formation of his new cabinet on December 11. It contained fourteen Communist members, five Agrarian party representatives, and two members each from the Zveno Union and the Social Democratic party.

Nationalization of Industry and Banking

A nationalization bill covering most industrial and mining enterprises, introduced by the Communist Fatherland Front Government, was adopted without opposition by the National Assembly on December 23. Deputy Foreign Minister Vladimir Topencharov said that the industries covered in the measure were already to a large extent under state control. Topencharov further made clear that enterprises covered by Article 24 of the Bulgarian peace treaty were outside the jurisdiction of the new law, and indicated that such industries covered about seven per cent of the total. Article 24 declares that "Bulgaria recognizes that the Soviet Union is entitled to all German assets in Bulgaria... ."

Provision was made for the payment of indemnities to owners and stockholders, principally in state bonds, but fascists or collaborators with Germany and Italy in World War II or persecutors of Bulgarian anti-fascists were exempted from these benefits.

In an equally drastic step toward complete nationalization, the Assembly (with unanimity) approved on the 26th a bill providing for the nationalization of all private banks--with severe penalities indicated for infringements of the terms of the measure. According to the law, banking would be concentrated in the Bulgarian National Bank and the Investment Bank, with commercial banks and agrarian co-operatives continuing to act under supervision.

c) Czechoslovakia

Trade Relations with the Soviet Union

An official announcement made in Prague on December 1 disclosed that, in response to a request from Czechoslovakian Premier Klement Gottwald, Premier Stalin had wired that the Soviet Union would double the amount of grain promised at the time Czechoslovakia withdrew from any participation in the Marshall plan conference. If fulfilled, this would result in the delivery of 400,000 tons of wheat and rye by the end of April 1948, an amount that would cover 40 per cent of Czech consumption—and obviate the need for 300,000 tons of grain that Foreign Minister Jan Masaryk had been attempting to secure from the United States. The Soviet

Premier also said that his government was prepared to improve the terms of the Soviet-Czechoslovak trade agreement being negotiated in Moscow, especially with reference to Czechoslovakia's payment for goods received.

On December 11, the agreement was finally signed and it was officially stated that the Soviet Union, "taking into consideration the hardships to Czechoslovakia to pay for these commodities [those named in the pact] has agreed to grant the Czechoslovak Government a short-term credit." The total amount of supplies for each of the signatories from 1949 to 1952 was placed at approximately five billion Czechoslovak crowns [$100 million] per annum--with Czechoslovakia to be the recipient in 1948 of food and fodder, cotton, fertilizers, oil products, iron, manganese and chromium ore, pig iron, ferrous alloys, and "other raw materials needed by Czech industry." That country, in turn, was scheduled to furnish the Soviet Union during 1948 with oil piping, rails, machinery for generating power and general industrial needs, sugar, textiles, shoes, plate glass, chemicals, and "other commodities."

Statement of Premier Gottwald

Communist Premier Klement Gottwald in an interview on December 24 declared that the Czechoslovak Communist party did not intend to seize power, pointing out that:

> "On the contrary, the Communists have recently declared clearly several times that even if they should gain a majority in the coming elections they regard the present system of cooperation of parties in a national front government as most suitable for the successful and tranquil development of the state."

He added that his country could not join in the Marshall plan without the sacrifice of independence, but that it favored co-operation with the United States on the basis of "mutual respect for sovereignty, a common effort to construct permanent peace and economic cooperation on a basis of the honorable relations of one business man to another."

d) Finland

Soviet-Finnish Trade Pact

The Soviet government on December 4 announced the signing of a trade treaty with Finland that provided for a "considerable increase" in trade in 1948, including food requested by the Finns. The Soviet Union agreed to furnish metals, fertilizers, and certain other goods in exchange for wood, cellulose, paper, prefabricated houses, and other materials from Finland.

Municipal Elections

Finnish local elections held on December 5--three months after the Finnish peace treaty had been signed--resulted in considerable gains for the Right Wing parties, according to semi-official final returns. Of a total of 10,637 places, the Right Wing Conservative

and Liberal parties won 6,178, the Social Democrats 2,210, and the Communists 1,767, with the other Left Wing parties gaining 309 seats. A new voting record was established with 75 per cent of those eligible voting in Helsinki, and about 69 per cent in the rest of the country.

e) Poland

Polish-American Opposition to Communist Regime

On December 16 and 17 officials of the Polish-American Congress--together with Polish Peasant party leader Stanislaw Mikolajczyk who had recently fled from Communist-dominated Poland--held meetings in Chicago for the purpose of achieving unification of groups within the United States working toward Polish freedom from Communism. The Polish-American Congress, representative of about six million individuals, was termed the spokesman for almost all Polish-American groups in the United States. Its president, Charles Rozmarek, and Mikolajczyk declared, after an accord had been reached that, "concerted action against Communist forces that have enslaved Poland and now seek world domination will follow this agreement."

f) Rumania

Seizure of British Oil Companies

After about a month's press campaign, the Rumanian Government took over on December 15 two of the largest British oil companies in Rumania, Astra-Romana and Unirea, charging the owners with "bad will, deficient production, and theft of oil from government subsoil." In an official government decree, it was announced that "an administrator of survey [was] appointed for each of the companies by the Ministry of Justice and Commerce." The decree failed to make clear whether compensation would be provided for their seizure. The U. S. Department of State had sent a note during May to the Rumanian Government warning that "prompt, adequate, effective compensation" was essential if Americans were to continue managing their properties in Rumania. This note had followed the passage of two laws granting the government large control over foreign properties which cleared the way for nationalization without compensation.

Abdication of King Michael

At the end of the month, internal political unrest in Rumania reached a climax with the abdication of the King. Immediately after Michael's return to the country from London, on December 21, he was presented with a new Minister of War, Communist Emil Bodnaras (called the political technician of the Groza government). This shift completed the Communist control of the government, both politically and militarily.

On the 30th, and with no preliminary indications of the political developments leading to his action, King Michael announced his abdication and the government proclaimed the formation of a "People's Republic." One of the factors involved was thought to be the King's request for government permission to marry Princess Anne of Bourbon-Parma, such cabinet approval being required under Rumanian law. The only official word on the

whole situation was given in the two proclamations. King Michael said, in part:

> " ... Great political, economic and social changes have occurred in the life of the Rumanian state, creating new relations between the principal factors of public state life. ... In view of this situation, in complete accord with the country's responsible factors and conscious of my responsibility, I consider that the institution of the monarchy does not correspond any longer to the conditions of our state's life, because it is represented as a serious impediment to Rumania's development.
>
> "Consequently, fully conscious of my action's importance, which I carry out in the Rumanian people's interest, I abdicate in my own and in my successors' name from the throne, renouncing for myself and for them all the prerogatives that I exercised as King of Rumania. I leave it to the Rumanian people to choose the new state form. ..."

The Rumanian Government proclamation, broadcast by the agency Rador and signed by Premier Groza and his cabinet, told the people:

> "Workers, peasants, intellectuals, soldiers, noncommissioned officers, officers, citizens of Rumania:
>
> "King Michael I abdicated from the throne today. ... the King considers that 'the institution of the monarchy does not correspond any longer to conditions of our state's life ... .' Thus, the Rumanian people have conquered the liberty to build a new form of state--a people's republic.
>
> "Freed in 1944 from the yoke of the Hitlerite invaders and that of their Rumanian servants, the Rumanian people took destiny into its own hands. Led by the organized, conscious and unswerving working class, allied to the working peasantry, the Rumanian people swept away the yoke of the big land-owners, punished traitors to the people's interests, and removed from the country's government those who defended the interests of the people's exploiters. Thus the Rumanian people succeeded in creating a democratic regime that it continues to strengthen. ...
>
> "The replacement of the monarchy opens new roads of great achievement to our people's democracy. Let us build our new state--the Rumanian People's Republic, a country belonging to all those who work by hand and brain in town and village."

g) Yugoslavia

Treaties with Hungary and Rumania

During the month, Marshall Tito signed treaties of friendship, collaboration and mutual assistance with both Hungary (December 8) and Rumania (December 19), similar in content to the pact with Bulgaria reached in November. In Budapest, at the time of signing the Hungarian treaty,

Tito offered to sign similar ones with "every country willing to cooperate with Yugoslavia", and denied that, through these arrangements with the three Danubian states, a "bloc" was being established. He said: "There is no talk of a bloc because then other powers would also form blocs. This series of understandings is only to assure peace in this part of the world." However, when the alliance with Rumania was announced in Bucharest, Tito praised it as an expression of "the will of the masses to help in the co-operation and reconstruction of the Eastern European countries," while the Rumanian Minister of Industry and Commerce (who is also secretary general of the Rumanian Communist Party) more emphatically stated that it strengthened the group of peace-loving states led by the Soviet Union and acted as a blow to reactionary, war-mongering imperialism.

6. Iran

New Government

A government crisis developed in Iran early in December over Premier Ahmad Ghavam's failure to carry out domestic reform measures, coupled with dissatisfaction in certain circles for his part in the recent oil negotiations. On the 4th the Cabinet resigned; and on the following day Ghavam declared his intention of forming a new Cabinet. However, on December 10, the opposition forced the Premier to appeal for a vote of confidence. The results of this action disclosed 46 votes in his favor, 39 against, and 27 abstentions--a margin not sufficient for Ghavam to retain the premiership. He thereupon resigned.

On the 14th the parliament selected as successor to Ghavam its own president, Sadar Fakher Hekmat, by a vote of 72 to 34. He spent two days consulting with the Shah and political leaders before officially accepting the premiership--only to resign the post on the 19th after he had nearly completed a Cabinet. Two more nominees for the position were chosen by the parliament on the 21st, and on the following day the Shah appointed one of the two, Dr. Ibrahim Hakimi, who had preceded Ghavam as Premier.

Hakimi successfully formed a new Cabinet on the 28th. The group included two members of Ghavam's Cabinet--Minister of National Economy Mohamad Sajadi and Minister Without Portfolio Mostafa Adl. The Soviet Communist newspaper Pravda attacked the new Premier vigorously in a dispatch dated December 26. He was characterized as one "whose hostility to the Soviet Union is well known and who is closely associated with Anglo-American circles." His appointment was said to be regarded by the Iranian public as "a demonstration in Iranian ruling circles of a desire to continue a hostile policy toward the Soviet Union."

7. China

Burma Boundary Dispute

The Chinese Foreign Ministry raised an old claim to 75,000 square miles of territory in North Burma during December. This was disclosed in a statement issued on the 1st which expressed "gratification" over forthcoming Burmese independence and hope for an "amicable"

settlement of the boundary issue. The statement followed an assertion of China's right to this territory a few days earlier by Dr. Fu Chio-chin, Territorial Commissioner in the Ministry of the Interior. It made clear that the government intended to reach a settlement through "proper diplomatic channels in accordance with treaty provisions and international law."

The boundary dispute, which arose because the Chinese-British treaty of 1894 had left the disposition of the North Burma territory to be settled by future negotiation, had been left in abeyance since the last Chinese note on the subject on November 17, 1941. A Burmese statement made public on December 1 said that Burma did not mean to surrender any territory and would unhesitatingly defend it against encroachment. The statement added that Burma intended to take over all territory now included in British Burma on January 4, together with the Karenni States on the southeast border, which had agreed to become part of the Burma Union.

Economic Control Program

Renewing its efforts to combat inflation, the government announced on December 2 the adoption of a policy of "economic martial law" for Shanghai, Tientsin, Canton, and Hankow. The Finance Ministry was empowered to establish financial and currency control bureaus in these cities. Backed by the police and military organizations, these bureaus were to control loans and other transactions of the four big government banks. They were also assigned the task of checking speculation in gold and foreign currencies--such speculation having been declared illegal in February.

A further move was made to control the economic system when it was announced a few days later that the distribution of cotton and rice was to be taken over by the government.

On the 20th, a new control program for 1948 was made public. Illegal transactions in gold or foreign exchange were to be punishable by one year of hard labor. The new law provided for intensification of control over private banks, continuation of the suspension of loans for nonproductive purposes, and persistence in the war against black market operators. The program was said to have been adopted following an address made by President Chiang Kai-shek before the directors of the four national banks in which he stressed the necessity of making use of idle capital for productive purposes and setting a limit on loans. He was reported to have said that China would be able to effect its own recovery once the government obtained full control of the nation's economy and that it was of even greater importance to solve the economic crisis than to conduct a military campaign against the Communists.

Progress of Civil War

At the beginning of December, the greater part of Manchuria was in Communist hands. Further, Communist troops were deployed over

several areas of North China--being found in Shansi province, in central Shantung, and in Kiangsu, while a large force had overrun Honan, Anwhei, and eastern Hopeh and were standing on the north bank of the Yangtze River.

On December 6, the Chinese Chief of Staff at the Yangtze headquarters announced that a large-scale battle had begun in southeastern Honan between government forces and nearly 100,000 communist troops, who had emerged from their hideout in the Tapieh Mountains. It was stated on the 17th that the Communists in the southeast had fought their way out of nationalist encirclement and once more escaped into the mountains. Fighting was also being carried on this time in Shantung province and in northern Hopeh.

Meanwhile, Communists were stepping up their operations in Manchuria and had begun to converge on Mukden which, on December 18, was placed under a twelve-hour curfew. On the 26th, with the Communists advancing from several points and the population of Mukden suffering from lack of food and fuel, a military censorhip was imposed on all press dispatches from the city. At the same time, communist troops elsewhere in China were carrying out diversionary movements designed to prevent the government from sending aid to the defenders of Mukden. Three railway lines leading into Peiping were said to have been cut, communist forces in southeast Honan were attacking again, and efforts were being made to disrupt Yangtze shipping and prevent the distribution of food supplies. As the year ended, it was reported that the Communists had captured the communications center of Changwu, sixty miles northwest of Mukden. Heavy snowstorms prevented air communication with the city (Mukden), making its isolation complete.

A charge that the Soviet Union was furnishing the Chinese Communists with both equipment and advice, made by General Hsu Chi-ming in an interview on December 29, was denied the following day by the Soviet Consul General at Peiping, who declared: "My Government recognizes only one Government in China--the National Government--and is not supplying the Communists with anything. This is a 100 per cent denial." Nevertheless, in his annual "State of the Nation" address on New Year's Eve, President Chiang Kai-shek said: "The present Communist menace comes as much from without as from within. Unless it is checkmated it will cause the downfall of our nation, make unity an impossibility and reduce our people to serfs."

National Assembly Postponement

It was announced in Nanking on December 12 that the State Council had decided to postpone to an indefinite date the meeting of the National Assembly, which had been fixed for December 25. Although the State Council gave no reason for the delay, government leaders explained that the results of the November elections for the Assembly were still incomplete. Further, the Legislative Yuan was scheduled to meet one week after adjournment of the first session of the National Assembly, and no arrangements had yet been made for elections to that body. Other sources stated that the delay had arisen because--although

the Kuomintang had promised the Young China party and the Social Democratic party 560 seats out of a total of 3,044--the local power of the Kuomintang had led to the election of Kuomintang members instead, while a number of independents were also elected. The two minority parties had consequently threatened to boycott the National Assembly, thus breaking up the coalition established earlier in the year. To prevent this the Kuomintang was endeavoring to persuade members elected without their approval to step down in favor of the minority candidates.

As it was clear that the Constitution could not become effective on the 25th, the Legislative Yuan voted a series of regulations on the 23rd providing for continuing President Chiang Kai-shek and the State Council in office, as well as the current administrative and executive bodies.

Despite postponement of the Assembly meeting, the inauguration of the Constitution was proclaimed by government publicity organs on December 25, the date scheduled by the Constitutional Assembly of December 1946. However, the government itself made no formal declaration. On the same day, the government announced that the National Assembly would convene on March 29.

General Wedemeyer's Testimony

On December 17, appearing before the Senate Appropriations Committee to testify on the proposed Interim Aid Bill, General Wedemeyer refused to divulge the information contained in the report he had brought back from China to President Truman, but advocated a policy of aid to that country commensurate with American ability to provide it. He considered that Chiang Kai-shek deserved support because he "had opposed communism throughout his history." He added that President Chiang had assured him on his last visit that--with or without assistance from the United States--he would continue to fight communism and to establish a democracy in China, although the latter objective might not be realized within his lifetime. In reply to a question, General Wedemeyer expressed the view that the United States had not kept its promises to China.

Conclusion of UNRRA Activities

With the year's end, UNRRA's work in China came to an official close. On December 30, in a letter of appreciation to the Chinese government, Director General Maj. Gen. Lowell W. Rooks thanked the government for its co-operation "particularly in view of the immensely difficult situation after eight uninterrupted years of enemy occupation." He said that all difficulties had been "gradually overcome by our concerted efforts and by the patience and fortitude of your people." He also noted with satisfaction that the rehabilitation work of UNRRA, particularly that of agriculture, would be carried on by a rehabilitation commission established by the Chinese Government. $5 million was reserved for this commission from UNRRA's resources, to assist it in carrying on these projects.

8. India-Pakistan

Princely States Gathering

An official of the Dominion of India's States Ministry announced on December 6 that a group of about 20 rulers of Indian Princely States was meeting in New Delhi principally to establish machinery for the arbitration of disputes that might arise over matters of succession. Under the British rule, these problems had been adjudicated by the political department. A suggestion that the old Chamber of Princes be re-established was supported by the Princes, but regarded unfavorably by some within the Congress party.

An official of the States Ministry estimated that within two or three years 340 of India's 562 ruling Princes would become political pensioners supported by the central government. On December 17, 37 of the 562 Princes merged their territories with the surrounding or adjoining provinces of the Dominion of India. Although the rulers remain on the throne these states become parts of Dominion provinces, with the Princes losing their ruling power. This arrangement was made by Deputy Prime Minister Patel in a two-day trip to the central provinces of Cuttack, Drissa, and Nagpur. Most of the merged states are small, one of the largest of the group being Bastar with an area of 13,000 square miles and a population of 550,000. The rulers are to be supported from the privy purse--administered by the provincial governments.

Migration Movement

The Dominion of India information bureau announced in New Delhi on December 6 that more than eight million refugees had crossed the Indian-Pakistan border in both directions up to November 21. Since the partition, in this so-called greatest mass migration in history, more than four million Hindus and Sikhs had gone from the West Punjab, the North-West Frontier, Sind, and Baluchistan into India, while over four million Moslems had crossed to Pakistan from the East Punjab and Delhi.

Financial Agreement

The Deputy Prime Minister of India, Sardar Vallabhbhai Patel, made a detailed report to the Indian Constituent Assembly on December 12 concerning the financial agreement reached between his country and neighboring Pakistan. Sardar Patel outlined the provisions of the agreement to the legislature as follows:

1. Of the undivided cash balances of India, Pakistan to have 750 million rupees (approximately $227 million).

2. Pakistan to share in the undivided sterling assets of India in a ratio to the currency note circulation "after adjusting any expansion against Pakistan securities in that dominion." India to sell to Pakistan for Indian rupees block sterling to an agreed amount on demand until December 31, 1967.

3. Pakistan to assume 17 and one-half per cent of the undivided Indian liabilities.

4. Except in the instance of railroads, the book value of which was reduced by about 50 per cent, book values to be adopted for the valuation of assets taken over by either of the two dominions.

5. The Pakistan debt to India to be paid in Indian rupees in 50 annual installments payable August 15 of each year, with a moratorium of four years from August 15, 1947 [partition date]. Interest to be paid at the same rate as the average yield over the two years preceding the date of partition of the rupee and sterling securities of the Indian Government.

6. Each state to pay pensions disbursed in its own territory, but the Indian dominion to continue to pay overseas pensions.

7. One third of military supplies in India and Pakistan on August 15, 1947, or one third of the maintenance and reserve requirements of the two dominions--whichever is the lesser amount--to go to Pakistan, with the balance, if any, going to India.

8. The ordnance factories not to be divided, and India to take on the liability for their full book value in addition to paying Pakistan 60 million rupees for the purpose of setting up such plants and other essential institutions in that country.

Kashmir Dispute to United Nations

The Indian cabinet met in New Delhi on December 30, and decided to refer the Kashmir dispute to the Security Council--after giving Prime Minister Attlee (Great Britain) 48 hours' notice of such intention. It was understood that the case was being submitted "without prejudice" to Indian action in Kashmir for the purpose of driving out raiders, and that the Indian Government considered Pakistan's participation in the affair to constitute "undeclared hostilities against a friendly neighboring country."

9. International Convention on Human Rights

Geneva Session of United Nations Commission

The eighteen-nation Commission on Human Rights opened its second session in Geneva on December 2, with Mrs. Franklin D. Roosevelt in the chair. Its agenda was immediately accepted provisionally. Mrs. Roosevelt told the group that it must decide whether to prepare a "declaration" or a "convention", or both, and that it must discuss ways of implementing the human rights and fundamental freedoms under consideration. She pointed out that the task of the Commission was to evolve a draft International Bill of Rights that, with emendation, would prove acceptable to the member nations, and would be available for submission to the General Assembly in 1948 after consideration by the Economic and Social Council.

On the same day, Soviet delegate A. E. Bogomolov asked for a priority in the consideration of petitions from non-self-governing territories--charging that these areas had no right to express opinions or engage in free discussion. These allegations were denied by the British delegate. Another Soviet onslaught came in the subcommission on minorities and discrimination which also met on the 2nd. A. P. Borizov attacked the United States delegate, Jonathan Daniels, and filed a resolution--similar to one presented twice before by the National Association for the Advancement of Colored People--providing a commission to study in the field facts of discrimination against native populations. It was pointed out that the Soviet Union was not itself faced with either the Negro problem or that of colonial oppression. On the 10th the subcommission on minorities rejected the resolution submitted by the Soviet Union--designed to force an investigation of the Negro question in the United States. Those who either opposed the resolution or abstained held the view that the problem should be faced as a whole during the drafting of an International Bill of Rights rather than in the light of one single instance.

On the 8th, the subcommission on the prevention of discrimination and the protection of minorities presented a twenty-page report to the Commission, in which were recommended four articles dealing with the prevention of discrimination and the protection of minorities. These recommendations were within the confines of the British suggestion for a definition of terms under which "prevention of discrimination" would be considered to be any action denying to groups or individuals equality of treatment they might desire. The report, with the Soviet Union in dissent, recommended:

(1) A declaration entitling every person to defined rights regardless of race, sex, religion, language, political or other opinion, property status, or social origin.

(2) A declaration of the right of persons to public employment subject to general, nondiscriminatory examinations.

(3) A declaration of freedom of movement within a state, to emigrate, and change nationality.

(4) A declaration of the rights of minorities to their own schools and religious institutions.

A United States proposal for the setting up of small committees to investigate complaints from minority groups was rejected as being premature, but a resolution requesting that the subcommission receive all petitions presently sent only to the full Commission was adopted. The report of the subcommission, in general, placed special emphasis on the following clause:

> "Everyone is entitled to all the rights and freedoms set forth in this declaration without any distinction of any kind such as race, sex, language, religion, political or other opinion, property status, national or social origin."

The Commission on the 16th adopted a draft declaration and covenant on human rights for submission to United Nations members for their examination. The draft declaration, containing over 30 articles that set forth essentially the rights considered basic in the United States and French constitutions, was accepted by a vote of 13 to 0, with the Soviet Union, the Ukraine, Byelorussia, and Yugoslavia abstaining, and Chile absent. The covenant, binding ratifying members to furthering the human rights set forth in the declaration, was adopted by a vote of 10 to 4, with the Soviet Union and its three supporters again in opposition. The Soviet delegate expressed the view that these two documents did not go far enough in setting forth human rights, and he said that his country would later present another draft. Mrs. Roosevelt made a recommendation that the declaration be shortened to avoid "bewilderment" among the general public, which was accepted.

The Commission also recommended--as a measure that would lead to implementation of the declaration--the setting up of an international court of human rights and a five-nation committee whose function would be the examination of complaints from minority groups. A decision on a declaration on freedom was postponed until the scheduled Conference on Freedom of Information, meeting in Geneva in March 1948.

The Commission adjourned on December 17 after accepting a summary report on its work. At a press conference on that date delegates expressed concern over the difficulties that had been encountered in a reconciliation of the views of the Slav nations with those of other countries. There was general agreement, however, that these new documents embodied considerable progress in the "right direction."

B. TREATMENT OF NON-SELF-GOVERNING PEOPLES

Trusteeship Council Session

The Trusteeship Council concluded the first part of its second session on December 16. The first session, held in the spring of 1947, had been largely devoted to organization. Consequently the substantive work of the Council was undertaken at the second session, when reports and petitions from various trust territories were given consideration. The second part of the Council session was scheduled for February 1948.

Attention was directed during the meetings to the relations of the Trusteeship Council with the Security Council in regard to the United States strategic trusteeship agreement for former Japanese-mandated islands. Since the Security Council was already considering the subject, the Trusteeship Council adopted a resolution establishing a committee of three and authorizing it to confer with representatives of the Security Council "with regard to assuring that, before the Security Council makes a final decision on the arrangements to be made with respect to the functions of

the Trusteeship Council in respect of strategic areas under Trusteeship in relation to the political, social, economic and educational advancement of the inhabitants, the responsibilities of the Trusteeship Council be fully taken into account."

1. Burma and Ceylon

Statement on Ceylonese Independence

The House of Representatives after three days of debate passed on December 3 (by a vote of 59 to 11 with 29 abstentions) a resolution introduced by Prime Minister D. S. Senanayake which read:

> "This House rejoices that, after many years of subjection to foreign rule, the struggle of the people of Ceylon for freedom has culminated in this attainment of independence."

In the course of the debate the Prime Minister asserted that he could not "think of a better and safer friend for Ceylon than Great Britain. If the Opposition," he continued, "feel that they must sever their connexions with Britain and that their protection is from Russia, they are welcome to seek that alliance. As for me, I shall do all I can to prevent it."

The Commonwealth Relations Office in London announced on December 12 that in view of the new status of Ceylon, the post of a High Commissioner was being set up. The present Deputy High Commissioner in the Commonwealth of Australia was instructed to proceed to Ceylon and take office there as High Commissioner by the end of January.

2. Indo-China

French Negotiations; Viet Nam Protest

Fighting continued intermittently in Indo-China during the month of December as French High Commissioner Emile Bollaert engaged in discussions with the former Emperor of Annam, Bao Dai, with a view to finding a solution to the crisis. Bao Dai abdicated in August 1945 when a revolutionary committee took over the government. He was then appointed chief political adviser to the new president of the Viet Nam Republic, the Communist-trained Ho Chi Hinh. However, Bao Dai is now reported to be a candidate to replace President Ho and has been carrying on discussions with the French commissioner against the will of the Viet Nam Government. The latter considers that Bao Dai is still a member of the republican government and would therefore be guilty of treason in negotiating with the French Government without Viet Nam's authority.

However, Bao Dai conferred with the provisional presidents of Cochin China and Annam on the 20th before leaving for Paris to participate in conversations on Indo-China independence. On December 23, the French cabinet approved negotiations with Bao Dai. A cabinet communiqué announced that the Indo-China Protectorate Kingdoms of Laos and Cambodia had been admitted to the French Union--leaving only the Viet Nam Republic and the Protectorates of Tunisia and Morocco as major areas outside the Union.

President Ho said on December 24 that, if necessary, he would take the case to the United Nations, as it was not the business of France to settle the dispute.

3. Indonesia

Status of Negotiations on Indonesian Dispute

Direct negotiations between Netherlands and Indonesian representatives began on December 8 aboard the United States transport Renville in Batavia harbor, under the auspices of the Security Council's Committee of Good Offices. The meeting was opened by the secretary of the Committee who acted on behalf of the Secretary-General.

On the 13th it was officially announced in The Hague that the Cabinet had decided that Netherlands Premier Louis J. M. Beel, together with the Minister of Overseas Territories and the Minister of Social Affairs, should go to Indonesia to "discuss with the Netherlands Indies authorities whether the present Netherland policy in Indonesia is meeting prevailing conditions and where it may be necessary to revise policy."

In Batavia, the Indonesian Republican Information Ministry accused the Dutch of rejecting proposals of the Security Council committee for implementation of the cease-fire order. The Netherlands officials were said to have protested that statement before the committee. On the 16th the Indonesian Premier reported that Dutch troops were concentrating on the edges of Java "in sufficient numbers possibly to threaten the republican capital of Jogjakarta." However, a Netherlands spokesman stated this was "absolutely not true" and that there was "no question of a Dutch move on Jogjakarta."

The Dutch Prime Minister arrived in Batavia on December 17, allegedly for the purpose of considering the formation of a United States of Indonesia rather than for discussions on the Indonesian dispute.

Two days later, the Republic of Indonesia formally advised the Security Council that in its view the Netherlands had violated the orders of the Council by occupying the island of Madura in the East Indies (during November). The Indonesian representative also said that his country had accepted a Committee of Good Offices' plan to implement Council orders, but that the Netherlands had given no answer. Another charge presented to the Council by Indonesia concerned what was called the deteriorating economic position of the Republic. The delegate said that "the destruction of the economic position of the Republic is indeed one of the basic aims of the Dutch so-called police action."

The Australian president of the Council suggested that a message be sent to the Good Offices Committee, asking for details of its reported plan for making the "cease-fire" order effective. This attitude was upheld by the representatives of the Soviet Union and Poland, but opposed by all other members. Warren R. Austin

(United States) said that "no premature or intemperate or hasty conduct on our part can help the Committee of Good Offices."

Speaking over the Sumatra radio on the same night (19th), Premier Beel issued a "last appeal" to the Indonesians to overthrow "irresponsible elements" and complete the peaceful formation of a United States of Indonesia. He said that "the Government of the Netherlands trusts that the Republic will really prove its willingness to help in the completion of the intended political reconstruction."

A Netherlands-sponsored West Java conference at Bandung on the 19th voted to hold a third meeting to form a provisional government for a new West Java state and to establish a parliament--although the date of the meeting was not set. A Republican Government statement on December 20 accused the Netherlands Government of by-passing the Good Offices Committee in setting up a state in West Java in the Republican area. Lt. Governor General van Mook had announced that authority to govern West Java would be transferred to a provisional state government.

Several days later (24th) the Good Offices Committee announced the details of a plan for a demilitarized zone to make effective the cease-fire order. Under the terms of the plan, accepted conditionally by both disputants, each side was to suggest a demilitarized area if it thought it desirable. The plan said that:

> "In the event the parties do not agree, representatives of the [United Nations] committee should propose delimitations of demilitarized zones which the parties would be asked to accept."

It was also suggested that upon acceptance of this arrangement, normal trade should be immediately resumed by the demilitarized zones with both Netherlands- and Republican-occupied sectors. Provision was made, upon acceptance of the area limitations, for forces in the demilitarized zones and in territory occupied by the opposition to "move peacefully to territory on the party's own side" with "arms and warlike equipment." In a Netherlands statement, it was declared that the proposals of the committee could "be accepted in general terms as a working base" for the implementation of the cease-fire order, but it was pointed out that the Netherlands would hold to the so-called "van Mook line" as the boundary. The Dutch maintained, further, that occupied territory should be considered territory "actually under control of occupying forces." They also affirmed that their troops would need to continue police duties in certain areas to be demilitarized, and that such duties could be relinquished only gradually. The Republican statement held that each side was entitled only to the territory it possessed when the cease-fire order went into effect, and urged the carrying out immediately of such preliminaries as a general cease-fire order, stopping of propaganda broadcasts, cessation of communiqués, prohibition of sabotage, and the opening of conversations for the exchange of prisoners.

A Dutch spokesman in Batavia announced on December 28 that the Netherlands Government was willing to agree to "between eighty and ninety

per cent" of the latest suggestions of the Good Offices Committee so that an effective cease-fire order could be in force by the 31st. It was pointed out, however, that the Netherlands would not accept certain "political" views of the Committee. At the end of the month the details of this newest plan had not been made public.

Formation of East Sumatra

On the 29th another Netherlands spokesman announced the formation of the first Netherlands-approved state, East Sumatra--in the Netherlands East Indies--over which the Netherlands had recognized the authority of the Indonesian Republic under the Cheribon Agreement. Governor-General van Mook decreed on the 25th that East Sumatra was to be elevated from the lower status of "Daerah Istemwa" to a state, and thus would become a full member in the projected federated United States of India. It was also stated on the 29th that the Indonesian Republican Government would accept a cease-fire truce in a letter to be dispatched to the Security Council on January 2.

4. Palestine

In Palestine violence flared up immediately following the decision for partition and continued throughout December. Numerous attacks took place, and almost no section of the country was free from strife between both Jews and Arabs. One special trouble center was the Jaffa-Tel Aviv area, where the Arab city of Jaffa adjoins the Jewish city of Tel Aviv. The cities of Jerusalem and Haifa were also scenes of much violence. The British authorities imposed curfews from time to time in all these locations.

During the first part of the month Jewish leaders in Palestine charged the British authorities with negligence in not providing sufficient defense for the Jews against the Arabs. Later in the month Jewish officials brought the graver charge that the British were conspiring with the Arabs--with the intention that the plan for partition should collapse.

Implementation of Partition Plan

Immediately following the General Assembly decision of November 29 to partition Palestine, steps were taken toward implementing the plan. The Trusteeship Council, meeting on December 2, took up the question of Jerusalem which had been internationalized--and its administration assigned to the Trusteeship Council. A working committee (composed of Australia, China, France, Mexico, Great Britain, and the United States) was named to draft a statute, within five months, regarding a plan for governing the city--for consideration by the Council.

A two-day debate in the British House of Commons was opened on December 11 by Arthur Creech Jones, Secretary of State for the Colonies, who announced that it was intended--subject to negotiations with the United Nations--to terminate the mandate on May 15, 1948 and complete the withdrawal of troops by August 1. He suggested that, as Great Britain had made it clear that it could not take part in the implementation of the United Nations plan, "it would be undesirable for the commission to arrive in Palestine until shortly before the termination of the mandate." He added

that the overlapping period should be brief, and that much preliminary work "could be done by the commission outside Palestine before the assumption of their responsibilities."

On the subject of immigration, Creech Jones said Great Britain was faced with "a most difficult task between now and the middle of May, and if ... traffic was encouraged during the next few months a grave situation would arise which would make an orderly withdrawal and transfer of authority extremely difficult." In the course of debate, more details were requested regarding the government's immigration policy.

In concluding discussions on the 12th, Ernest Bevin, Secretary of State for Foreign Affairs, explained that the date of May 15 had been arrived at after consideration of all the negotiations to be conducted. "There was the whole question of currency, trade, and a variety of economic things to be dealt with, with very great care, because, in addition to the mere transference of power, one did not want to add to the chaos by economic disorder as well." He pointed out that if it should be found that these affairs could be handled more quickly and an earlier date fixed, it would be done.

On the immigration question, Bevin declared that there was no obligation on Great Britain "to change the immigration quota during the short remaining period of her responsibility in Palestine" and he asserted that "if any attempt is made to bring in numbers of immigrants in spite of our control and so cause trouble, in my view, that would be another and most important contribution to unrest." He voiced the hope that at such a critical moment common sense would prevail and emphasized that "if the Jews encourage illegal immigration it will be regarded as a provocative act. I say to the Jews advisedly that they should leave it alone until the new state is set up." The immigrants detained on Cyprus were to be cleared to Palestine between May 15 and August 1, since there could be no illegal Jewish immigrants on British territory after that time.

Speaking of the British administration of Palestine, Bevin said: "If at any time since the present Government came into office they had attempted to coerce the Arabs in the interests of the Jews, or Jews in the interests of the Arabs, they would have set alight a conflagration for which we were not prepared to accept responsibility." He declared he believed the "right thing to do was to try to get agreement and if it had been left unfettered to the British administration to handle this problem, as it ought to have been left by those outside and from other countries, I quite believe we could have done it. We got very near to it over and over again only to have the cup dashed from our lips."

Turning to the possibility that force might have to be employed to carry out partition, Bevin declared:

> "It is for the Security Council to find the force for enforcement and the form of the force, but I cannot use British organized force, nor can I be a party to its being used at the present moment when the security force is not yet organized. When the details of the force have been worked out, what it is to be, what its command

> is, and what its obligations are, not only for Palestine but for the whole international sphere, then we shall take our corner. But in an isolated instance putting British troops under another command is a thing which the Government will not be prepared to do."

He concluded with an appeal to "all those concerned, whether Jew or Arab," to keep their feelings under control and with a reminder of the grave responsibility which they had.

Secretary-General Trygve Lie announced on December 18 that the Palestine Commission had been requested to hold its first meeting at Lake Success on January 6, but this was changed to the 9th to allow sufficient travel time for all representatives to reach New York.

Anti-United States Demonstrations

Arab anger over the partition decision showed itself not only in violence against the Jews in Palestine, but in demonstrations elsewhere in the Middle East against countries that had voted in favor of the plan--especially against the United States, which was considered to have wielded a decisive influence and was charged in some quarters with coercing other delegates to vote for partition. There were demonstrations, notably in Egypt, Syria, Lebanon and Iraq.

The Cairo opposition began on December 1 and continued through the 5th, reaching a climax on the 4th when a crowd of 15,000 clashed with police and caused the government to declare a ban on further gatherings. Crowds assembled before the American and British Embassies, smashed windows of American and British business establishments and of schools conducted by foreigners.

In Baghdad an attack was made on the U. S. Information Service office on the 4th by about 600 students who burned books and papers, destroyed furniture, and threw radios out of the window. Later in the day the Iraqi Government expressed "deepest apologies" to the United States Charge' d'Affaires and promised to pay for the damage. On the next day further demonstrations were forbidden, and a guard of more than 200 policemen was stationed at the United States Embassy.

In the light of these incidents, as well as the uncertain situation in the whole region, the U. S. Department of State announced on December 5:

> "In view of the disturbances which have occurred throughout the Middle East, the department is studying the problem of steps it should take to protect the lives and property of Americans in the countries concerned. ...
>
> "We have advised our missions in the area to be alert for any dangers that might threaten the lives or property of American citizens. At the same time, we have advised our personnel that they should refrain from any acts which might be considered provocatory or from taking any unnecessary risks. We have emphasized that it is the duty of the governments to which they are accredited to protect them."

United States Arms Embargo

Another announcement from the Department of State on the same day (5th) dealt with arms shipments. This advised:

> "In view of the current disorders in the Middle East, the United States is discontinuing for the present licensing of all shipments of arms to the troubled areas. ...
>
> "Similarly this policy extends to this type of article which may be located outside the United States, including transfer and retransfer of lend-lease arms and ammunition and the sale of United States surplus arms and ammunition."

Figures were given for shipments of arms and ammunition to Middle East countries during 1946 and the first 10 months of 1947. These showed that there had been no shipments in that period to Syria, Trans-Jordan, and Palestine, and only a small quantity of arms to Iraq in 1946. Saudi Arabia and the Lebanon had received shipments worth about $3,000 each in 1947 and none in 1946. Egypt had received about $700 worth in 1946 and a little over $900 worth in 1947.

"Authoritative sources" in London said on December 9 that a suspension of arms shipments was being considered by Great Britain, which was the principal supplier of such equipment to most of the Arab League states. Since the arms shipments were contracted for in treaties with these states, a Foreign Office spokesman said that a "special Government-level" decision would be necessary in order to place an embargo on them.

Meeting of Arab League

Arab League reaction against the General Assembly decision to partition Palestine came immediately. The Secretary General of the League, Abdul Rahman Azzam Pasha, announced on December 1 that he had made arrangements for a meeting in Cairo of the Premiers and Foreign Ministers of the seven Arab states. On the same day there were expressions of determination to save Palestine at all costs, from Crown Prince Abdul Illah, Regent of Iraq, and from Egyptian Premier Mahmoud Fahmy Nokrashy Pasha.

The Arab League leaders met from December 8 to 17, in private. A communique' issued after the opening session said that the purpose of the meeting was "to carry out immediate measures in regard to the Arab League Council decisions taken at its last meeting in Lebanon" (held from October 7 to 15). At that time resolutions were adopted which called for economic, political, and military measures for assistance to Palestine and against any potential foes.

Haj Amin el Husseini, the exiled Mufti of Jerusalem and the religious leader of the Palestinian Arabs, was in Cairo during the time of the gathering. Although not attending the meetings, he held consultations with all the Arab leaders, both political and military.

On the 15th "informed sources" advised that Great Britain had brought pressure on the Arab leaders to have their nations refrain from sending armed forces against the Palestine Jews in return for British aid

in solving the manifold problems of the Arab states. However, two days later it was said the existence of this offer had been denied.

At the end of the conference on the 17th a communique in general terms was issued. This stated that the Arab leaders had considered the Palestine question and the partition plan, and had disapproved of the General Assembly decision as well as the attitude of the countries that voted in its favor. This communique continued:

> "Imperialist and Zionist forces have drawn closer together and foreign tongues and habits have invaded Palestine from the West in an attempt to take from the inhabitants their land and existence.
>
> "Mandatory power has assisted the intruders in every way, helping them to form a well-equipped and trained army. The Arab Governments repeatedly drew the attention of the mandatory power and other nations to the ill-disposed plans of these forces and the fatal consequences thereof. ...
>
> "It now behooves Arabs to prepare for the struggle."

While the League leaders were holding their sessions, the collection of funds and enrollment of recruits were already under way. Moslem governments and individuals were contributing large sums of money, and recruiting bureaus were opened in various towns in Lebanon and Syria. Arab refugees from Palestine were said to be entering these two countries--presumably either to be formed into guerrilla groups or to serve as guides to bands, formed of volunteers, from the surrounding Arab countries. Fawzi el Kawukji, an Arab Commander in the Palestine disturbances of 1936-39, was reported to have been named commander of the volunteer forces and to have reviewed the first brigade of volunteers in Syria on December 16.

Soviet Attitude on Palestine Decision

Andrei Gromyko, chief Soviet delegate to the United Nations, speaking at a "U.S.A., U.S.S.R., Palestine friendship dinner" in New York on December 30, gave a comprehensive view of the Soviet attitude on the Palestine decision as taken by the General Assembly, stating in part:

> "There is no need for me to explain at length that not only the decision taken on Palestine, but its fulfillment, has been facilitated by the fact that it has become possible for such powers as the U.S.S.R. and the U.S.A. to agree on this question. As is known, the agreement between these two countries on important questions of international significance is rather an infrequent phenomenon at present. ...
>
> "We cannot agree with the assertions which imply that the decision on the partition of Palestine is aimed against the Arabs and Arab countries. It is our deep conviction that this decision corresponds to fundamental national interests of both the Jews and Arabs. ..."

Gromyko declared Soviet support for the principles of equality of rights and self-determination of peoples, and pointed to the Soviet Union as a multinational state with no racial or national discrimination. The Soviet Union, he said, supported and would continue to support "the aspirations of any state and any people, no matter how small its weight in international affairs is, in the struggle against foreign dependence and remmission "not in words but in deeds."

5. South-West Africa

Trusteeship Council Questionnaire

Although the Union of South Africa refused to submit a trusteeship agreement for the former mandated territory of South-West Africa, it did agree to submit annual reports on the territory as a continuation of its practice under the League of Nations. Instructions from the General Assembly directed the Trusteeship Council to examine the report that had been made and submit observations concerning it. South Africa declined an invitation from the Council to send a representative to the meeting at which the report was to be considered, but agreed to answer any requests for further information.

When the Council began an examination of the report, it was decided that "the report in certain particulars [appeared] to be incomplete." A list of questions was prepared which South Africa was invited to answer before June 1948 (when the Council would begin its next session). Further consideration was deferred until that time. The questions submitted covered such matters as taxes and fees assessed on the natives, labor conditions in the gold mines, segregation of natives in "reserves," and educational opportunities.

6. Eweland

Trusteeship Council Hearing

The Trusteeship Council afforded a hearing to a representative of the All-Ewe Conference in connection with a petition for unification of Eweland in West Africa--at present divided among British Togoland, French Togoland, and the Gold Coast colony of Great Britain. France and Great Britain presented a joint memorandum containing proposals for meeting some of the complaints of the Ewes. The reforms proposed included elimination of frontier and customs barriers, of currency and tax difficulties, widening of educational opportunities, and establishment of a supervising commission with natives included in the membership. The Council accepted the joint memorandum as "an earnest and constructive initial effort" and invited France and Great Britain to assist and encourage the Ewes to develop their capacity for self-government through free discussion and increased educational opportunities. The resolution adopted concluded with a decision to have a mission visit the territory, together with a promise to re-examine the problem after reviewing the mission's report.

7. Western Samoa

Steps Toward Self-Government

Three members of the Trusteeship Council who had spent July and August in an investigation of Western Samoa--in response to a petition from the natives asking for self-government under the protection and advice of New Zealand--recommended unanimously that immediate steps be taken toward a substantially greater measure of self-government, with a view to full self-government ultimately. The report of the mission was approved by the Council which also noted "with satisfaction" measures proposed by New Zealand. These included the appointment of a high commissioner instead of an administrator, the establishment of a council of state, and the replacement of the legislative council by an assembly composed of a majority of Samoans, with legislative powers.

C. PROPAGANDIST ACTIVITIES

United Nations Dispute Over Journalists

The Department of State confirmed reports on December 23 that Secretary-General Trygve Lie had communicated with it concerning the detention by U. S. immigration authorities in New York of a Greek newspaperman accredited to the United Nations. It was said that the Immigration Service of the Department of Justice had started hearings to ascertain if the man were a bona fide correspondent for a bona fide newspaper--as he had been admitted to the country on a visitor's visa, and had not asked for entrance as a press representative. The two Greek Communist newspapers he professed to represent had been suppressed by the Greek Government. Concerning a second newsman, also detained for deportation proceedings, the Department of State had no official word. This man claimed accreditation to the United Nations as a correspondent for the People's Age of Bombay, listed as the official organ of the Communist party in India. The immigration authorities held his visa to be that of a student--prohibiting him from paid employment. However, he had attended no school in the United States. Hearings were begun to determine the status of both these persons.

Acting Secretary of State Lovett, in the course of a press conference on the 24th, explained regarding the two cases that:

> "... In so far as the case of the Indian student, Syed Sibtay Hasan, is concerned, it is our understanding that the United States has requested the Immigration and Naturalization Service to allow Hasan to depart voluntarily from the United States.
>
> "I should like to refute any imputation or allegation that this Government has violated in any way the United Nations Headquarters Agreement which was enacted into law by joint resolution of Congress dated August 4, 1947. ... The United Nations Headquarters Agreement provides, of course, that accreditation of alien correspondents at United Nations shall be only after consultation with the Department

of State. This Government, of course, has in no way yielded up its sovereign rights to challenge the bona fides of any alien journalist seeking to enter this country or already in this country. It has in no way yielded its sovereign rights to investigate, to hold hearings, and to deport alien journalists or persons holding themselves as such if the circumstances warrant, while of course seeking to be as liberal as possible in any cases involving such aliens.

"In the cases of both Kyriazidis and Hasan the United Nations failed to communicate with the Department of State concerning either of these two men until this week after the Justice Department action was known. The Department, of course, knew of Kyriazidis' presence because he obtained a visa in Geneva to come to United Nations, at the same time withholding information that he was a Communist. In the case of Hasan we considered him a student, as he entered on a student visa, and we learned with surprise this week that United Nations had accredited him months ago as a correspondent.

"... The Department considers that the provision in the United Nations Headquarters Agreement concerning representatives of the press relates only to persons who come to this country for bona fide full-time newspaper work and not to those who take up such work incidentally.

"The Department is ready at any time to designate a group of its officials to meet with UN officials to recommend to them a drastic revision of the UN system of accreditation of alien journalists. It is hoped that a meeting can be arranged at the earliest opportunity to discuss various phases of the relationships between this Government and United Nations."

Both correspondents were released from Ellis Island. Kyriazidis, who was held for six days as an alien illegally in the United States, told a special meeting of the standing committee of United Nations correspondents on the 29th that even Axis countries gave expelled correspondents 24 hours in which to leave the country, whereas here he had been held incommunicado for 24 hours.

The standing committee of correspondents unanimously accepted a resolution condemning the arrest of the two men on the 30th. This stated that the committee considered the action taken against the two correspondents contravened the Headquarters Agreement. It went on to endorse the steps taken by the Secretary-General to protect the rights of the two men and recommend that he should consult with the Standing Committee on all such cases and keep them informed.

The United States representative to the United Nations, Warren R. Austin, told Trygve Lie in a letter on the 31st that no further proceedings would be instituted against the two journalists without consultation with him (Lie). Excerpts from his letter follow:

"It is the view of my Government that the following steps should be taken to avoid any further misunderstandings:

"1. The entire list of representatives of the press, radio, film or other information agencies accredited by the United Nations in its discretion should be reviewed by the United Nations in consultation with the United States, so as to bring all bona-fide representatives clearly under the protection of the agreement;

"2. Procedures, data and criteria for handling future accreditations should be worked out jointly between officials of the United Nations and of the United States;

"3. In all future cases where there appears to be any question as to compliance with or interpretation of the headquarters agreement, every effort should be made by both parties to settle the matter by informal discussion without taking steps that might be construed as engaging in public controversy. ..."

IV. SECURITY PROBLEMS

Emphasizing the central security problem of the world in the strained relations of the Great Powers, Secretary-General Lie, in his New Year's statement (released December 25) reviewing events of the past year in the United Nations, said in part:

> "The year 1947 was only the second full year of peace after the most terrible and all-encompassing war of all time. We could not have expected that this period, in the immediate aftermath of a world catastrophe, would be free of troubles. What we did hope for was steady progress toward a normal world ... . We hoped that this year would help to dissolve the differences which have divided the great powers since the war--that it would restore the feeling of comradeship which brought them victory.
>
> "Some of those hopes have been realized. ... Yet we have been disappointed in the greatest hope of all--the hope that the great powers would be able to move, definitely and progressively, toward an understanding on the questions which divided them. This lack of understanding has prevented us from achieving all that we should have achieved in relieving the plight of tens of millions of suffering human beings. ...
>
> "During 1948 we must continue to hope for a change in the tide of disagreement between the powers, so that we may be allowed to move more swiftly forward in settling our problems. We must never give up hope for an agreement and we must never stop working for it. On the other hand, and at the same time, we must make the most of what we have. ... With the combined support of ordinary people all over the world, the United Nations stands today as a mighty barrier to war and as the hope of all mankind for a better world. ..."

A. ORGANIZATION OF A SYSTEM OF COLLECTIVE SECURITY

Soviet Views on United Nations

Soviet Deputy Foreign Minister Andrei Gromyko, in an interview on December 17, said that the people of his country, although disappointed with the United Nations thus far, believed that it could develop into "an effective instrument in the struggle for preservation of international peace and security." The future of the organization, he said, depended on the willingness of the Great Powers to co-operate. Asked whether the Soviet Union might alter its decision not to participate in the "Little Assembly," the Balkan Commission, or the Korean Commission, Gromyko answered, "Our position remains as stated in the Assembly."

1. Modification of the Veto Provisions

Veto Question on Security Council Agenda

A letter to the Security Council from Secretary-General Trygve Lie giving formal notice of General Assembly action on the veto evoked lengthy debate during the Council meeting of December 19. The letter, which announced that the Assembly had referred consideration on the use of the veto to the Interim Committee for study, suggested that conferences be held with any committee the Security Council might appoint. To a question as to whether any member objected to placing this item on the agenda, Soviet delegate Gromyko said he had definite objections. He asserted that the whole debate on the veto was useless since the Soviet Union would never consent to any alteration of the right of veto. The Council president, John D. L. Hood of Australia, pointed out that there was no question of immediate debate; that it was simply a matter of meeting a future contingency. To this Gromyko rejoined: "I object to the inclusion of this item on the agenda, without regard to the result of any discussion upon it."

Warren R. Austin (United States) declared that his government was willing to pass over the item without immediate debate, as long as it was placed on the agenda. He agreed that it was premature to embark upon a discussion of the matter. This position was upheld by France, Belgium, and China.

A vote for the inclusion of the item in the agenda showed a favoring majority of 9 to 2, with the Soviet Union and Poland in the negative. Toward the end of the meeting the point was raised a second time. On this occasion, the president suggested that for the moment the Council merely note that the letter had been received. Gromyko stated his view again, as follows:

> "If 'received' means that the letter has been received physically it would be rather difficult to object to this because the Security Council has been given this letter.
>
> "However, I must state that since the Soviet Union has objected to the inclusion of this item on the agenda we, therefore, object to any consideration of this question in the Security Council and to any action that the Security Council might take in connection with this resolution."

2. Establishment of an Interim Committee of the General Assembly

Arrangements for First Meeting

Secretary-General Lie announced on December 10 that January 5, 1948 was the date chosen for the first meeting of the Interim Committee ("Little Assembly"), established by the General Assembly in accordance with a resolution adopted on November 13. Among the duties assigned to the Committee were the consideration of any dispute or situation proposed for the Assembly's agenda if it appeared to require preliminary study; examination of matters referred to the Committee by the Assembly; and the conduct of investigations "within the scope of its duties."

With the exception of the states in the Soviet bloc, which had declared a boycott of the Committee, member nations were generally appointing their top-ranking permanent representatives to the United Nations to sit on the Interim Committee.

3. Organization of Forces Made Available to the Security Council

Military Staff Committee

In his interview of December 17, Soviet Delegate Gromyko answered a query concerning the outlook for the work of the Military Staff Committee in the following words:

> "Our position remains as stated in the Security Council and the Military Staff Committee. We are for the principle of equality in contributions of armed forces to be placed at the disposal of the Security Council by the permanent members. It is in accordance with the equal position accorded to the five permanent members of the United Nations Charter. If any of the five powers were not able to provide certain kinds of armed force, then an exception could be made. But the principle should be--equality."

Regarding the activities of the Military Staff Committee, on December 21 "a reliable source" was reported to have disclosed that the United States had offered to reduce its estimate of the ground and air forces needed for international security purposes--in an effort to break the deadlock existing in the Committee. This centered in a fundamental disagreement in which the Soviet Union insisted that the five Great Powers must furnish precisely equal numbers of troops, planes, and ships, while the United States, Great Britain, France, and China supported the view that the contributions of each of the Big Five should be of comparative strength--to permit the organization of a force sufficiently powerful and balanced in its parts to execute the duties that the Security Council might assign to it. It was said that the United States had offered to accept a reduction in ground forces from 20 divisions to fifteen, and in the air force from 3,800 to 2,800 planes. No reduction was suggested for the estimate of naval forces, which the United States had set at six carriers, three battleships, and fifteen cruisers. The Soviet Union had submitted considerably lower estimates than these, including a naval contingent with neither carriers nor battleships. No alteration in this point of view was reported. China and France were understood to favor the United States revisions, while the British attitude was not disclosed.

4. The International Control of Atomic Energy

Eniwetok Proving Ground

The United States Atomic Energy Commission announced on December 1 that, "after careful consideration of all available Pacific Islands," Eniwetok Atoll in the Marshall group had been selected as a proving ground for routine experiments and tests of atomic weapons, and that construction had been started. The establishment of such an area "in the Pacific" had

been declared in the Commission's semi-annual report to Congress in July 1947. The new announcement said in part:

> "The purpose of the installations now under construction in the Pacific is to provide a suitable area for the continuing conduct of a wide range of field work to establish by experimentation the indicated results of laboratory studies carried out in facilities of the Atomic Energy Commission. The scientific and technical operations of the proving ground will provide new fundamental data and a broader understanding of the phenomena of nuclear fission which will facilitate advances in peaceful as well as in military applications of atomic energy.
>
> "All test operations will be under laboratory control conditions, with full security restrictions as required by the Atomic Energy Act of 1946."

The permanent transfer of Eniwetok's 145 inhabitants was planned, with the sites for new homes to be chosen by the inhabitants themselves. It was emphasized that they were not now living in their ancestral homes (having scattered during the war to avoid labor service for the Japanese) but in temporary structures provided on two smaller islands of the Atoll by United States forces. The inhabitants were to be reimbursed for their land and given every assistance in moving and becoming re-established in their new location.

A letter, dated December 2, from U.S. Delegate Austin to the president of the Security Council notified the Council of the closing of Eniwetok Atoll in order to conduct "necessary experiments relating to nuclear fission." This was done in accordance with the provisions of the trusteeship agreement between the United States and the United Nations which permits the United States to close the islands, for security purposes, to United Nations inspection.

Work of the Atomic Energy Commission

When questioned on the prospects for progress in the work of the Atomic Energy Commission in the coming year, Soviet Representative Gromyko responded, during his interview of December 17:

> "The situation in the Atomic Energy Commission is about the same as existed before the last session of the General Assembly. Whether we shall be able to reach an agreement on this important subject will depend mainly on the position of the United States. If the United States continues to hold the same views, views completely unacceptable to the Soviet Union and contradictory to the decision of the General Assembly on Dec. 14, 1946, then it would be difficult and probably impossible to reach agreement on this important question. ...
>
> "The possibility is not precluded that as atomic energy negotiations make progress, the Soviet delegation may submit additional proposals in the development of the Soviet proposals. That depends on the course of negotiations.

"But first the Atomic Energy Commission must study thoroughly those Soviet proposals which were submitted to the commission."

Following a suspension of meetings during the General Assembly session the Working Committee of the Atomic Energy Commission convened on December 18. A plan of work proffered by France for 1948 suggested that the Control Committee should take up the composition, structure, and finances of the proposed international atomic control agency. Soviet delegate Gromyko objected that the Committee would simply be "killing time," since agreement had not been reached on its two previous reports to the Security Council. However, he agreed to discuss the composition of the proposed agency while reserving the Soviet position on all other points. The plan was adopted without formal vote.

A second suggestion was also adopted--that a new study be made of Soviet proposals on atomic energy control advanced in June, together with the Soviet replies made in September to a British questionnaire requesting further explanation of the meaning of the proposals.

5. The Regulation of Conventional Armaments

United Nations Working Committee

Two meetings of the Working Committee of the Commission for Conventional Armaments were held during December. At the gathering on the 9th two resolutions were introduced. One concerned an Australian proposal for a five-nation subcommittee to draft a statement of general principles to govern the regulation and reduction of armaments; the second, a Syrian resolution, stressed the necessity for participation of all nations in disarmament, with due regard to self-defense needs. A French amendment to the Syrian proposal suggested that only the minimum of human and economic resources should be diverted to armaments. Consideration of both resolutions was deferred until the next meeting of the Working Committee on December 16.

At that time the Australian suggestion, although supported by the United States, encountered opposition from the Soviet Union, Poland, Syria, France, and Colombia. The Soviet delegate declared that the establishment of a subcommittee would be a duplication of effort and a waste of time and would create the misleading impression that the Commission was doing something. He attacked the United States and Great Britain for sidestepping the "substance" of disarmament and undermining the General Assembly resolution on the subject.

The Australian delegate proceeded to withdraw the resolution and introduced a new proposal which set forth general principles--declaring total disarmament as the ultimate goal but not immediately attainable, and merely a part of the general problem of the prevention of war and the establishment of international peace and security. Immediate objectives were asserted to be such reduction of armaments as was commensurate with the maintenance of peace and security, taking into account the right of self-defense and the promotion of this end with the least diversion for armaments of human and economic resources. The resolution also urged conclusion of peace treaties with Germany

and Japan, and further recognized that the control of atomic energy was related to the reduction of armaments. At this point, the Syrian delegate offered to withdraw his resolution, as its substance was included in the new proposal of Australia. No further meeting was scheduled until January 2.

B. REGIONAL PROBLEMS

1. The Inter-American System

a) The Organic Pact

Postponement of Bogotá Conference

At the request of six nations (Bolivia, Costa Rica, Cuba, Guatemala, Uruguay, and Venezuela) and after consultation with all of the American republics, the Governing Board of the Pan American Union agreed on December 5 to postpone the Ninth International Conference of American States--scheduled to open January 17, 1948 at Bogota, Colombia--until March 30. The chief reason advanced for the postponement was the desire to await the decisions of the International Trade Organization meeting in Havana, since the results of that meeting would affect the discussions of inter-American economic co-operation which would be an important subject of study at Bogotá.

Some indication of United States views on the economic questions to be discussed at Bogotá was given by Assistant Secretary of State Norman Armour in an address delivered in New York City on December 9. He said in part:

> "... The plans for the future which will be discussed at Bogotá must ... be based on the economic facts as they exist today. I think we will all agree that we should not attempt too much too rapidly but preferably build upon the lines which have in the past proven most successful. In any case, the agreement which we look forward to signing at Bogotá will be a basic agreement, detailed development of which we may expect at the technical economic conference which is scheduled to follow in the latter part of 1948. ...
>
> "[A] factor of great importance if real progress is to be made in development programs is the treatment to be accorded foreign capital and skills, and this will doubtless have a place in the basic economic agreement at Bogotá. The economic development of Latin America is a long-range and continuing operation--requiring as much as twenty or thirty years, not merely four or five. We should, therefore, plan for the long pull, and we must recognize that, if development programs are to be carried out by means of cooperative action between this country and the Latin American countries individually, the arrangements must be beneficial to both parties. There needs to be a restatement of the rights and obligations entailed in international investments and then a full and continued observance of them, so that both sides may come to know and respect the rules of the game. ...

"For inter-American economic cooperation to be fully effective, it must include an understanding on both principles and practices in the broad field covered by the ITO charter, including undertakings to reduce trade barriers to mutual advantage and to place trade on a nondiscriminatory and multilateral basis, the conditions under which new industries are to be protected, the joint action which should be taken to meet surplus commodity problems when they arise, and the measures to handle the problems caused by restrictive trading practices by private business organizations. ..."

b) The Treaty of Rio de Janeiro

Senate Ratification

Under date of December 1 President Truman transmitted to the Senate for its advice and consent the Inter-American Treaty of Reciprocal Assistance signed at Rio de Janeiro on September 2 by the Inter-American Conference for the Maintenance of Continental Peace and Security. The President's message of transmittal said: "The principles, purposes and provisions of the treaty have my complete and wholehearted approval and I am happy to recommend the treaty to the favorable consideration of the Senate."

On the 4th the Foreign Relations Committee (by unanimous vote) reported the treaty favorably to the Senate and called for prompt ratification, saying in part:

"It is in effect a milestone of great significance in our quest for world peace and security, for it gives new vitality to the idea of hemispheric solidarity without detracting one iota from the principle of world collective security which we have subscribed to in the Charter of the United Nations."

The treaty was brought to the floor of the Senate on December 8. Supporting speeches analyzing the document were made by Senator Arthur H. Vandenberg, chairman of the Foreign Relations Committee, and by Senator Tom Connally, ranking Democrat of the Committee--both of whom had been members of the United States delegation to the Inter-American Conference. Senator Connally called the treaty "a long step in the direction of guaranteeing the safety and the security of the American Republics from aggression or attack by any power outside this hemisphere." Senator Vandenberg emphasized the solidarity in Pan-American relations demonstrated by the pact as well as the fact that it was purely defensive in aim and carried no threat of aggression. Excerpts from his speech follow:

"Nothing that we have done is aimed at any other enemies than war and aggression and injustice, the three deadly foes of civilized mankind. If there should be those who suspect us of ulterior motives, they will merely confess their own. Nothing we do here subtracts one word from our over-all responsibilities to the United Nations, to which we renew our allegiance in a special, categorical pledge. ...

"I submit ... that ... [the] treaty is cheerful, encouraging, and happy news in a war-weary world which is groping, amid constant

> and multiple alarms, toward the hopes by which men live. I submit that it is a vital, forward step in further cementing those inter-American friendships and freedoms which are our unique and special benediction. I submit that this is a particularly eloquent and significant moment to demonstrate the solidarity of this hemisphere, wherein an attack upon one becomes an attack upon all."

Senator Millikin of Colorado and Senator Donnell of Missouri asked detailed questions on the obligation imposed by the treaty to employ sanctions against a nation committing "an aggression which [was] not an armed attack ... that might endanger the peace of America." Senator Millikin particularly was concerned with the implications of the treaty's omission of standards defining such aggression, which Senator Vandenberg considered to be "entirely in the jurisdiction of the Organ of Consultation." Senator Millikin then asked:

> "So that a two-thirds vote of this Council of Ministers could determine that there has been an aggression, other than in the armed category, and that something should be done about it, and, by a two-thirds vote, the measures to be taken could be decided?
>
> "... We might not be one of the consenting parties. One of the measures might be that we should lay an embargo against, let us say, a very powerful foreign country, in a matter in which we were not interested or at least in which we did not care to intervene. I suggest to the distinguished Senator that this Union almost fell apart over the question, for example, of an embargo at the very beginning of the existence of the Nation. ... I respectfully remind the distinguished Senator that an embargo is not only injurious to the Nation which does not get the goods, but it can paralyze the economy of the nation that sends the goods. So that under the case, farfetched as it may be, which I have postulated, it might be possible that this Nation could be involved in the most serious complications over a matter in which it had no interest itself, arising over perhaps matters of very small global importance between a South American Republic and some other strong nation of the earth. ..."

Senator Vandenberg's position was that, in view of our traditional policies in the Western Hemisphere, he could not imagine any conflict in the New World in which the United States would not be interested, and that Senator Millikin's contingency "is substantially remote in any discussion of reality, and is not entitled to weigh against the tremendous alternative advantage which we get out of precisely the same calculated risk."

The final vote consenting to ratification was 72 to 1, Senator Millikin casting the only negative vote. President Truman ratified the treaty on December 19, and the United States instrument of ratification was deposited with the Pan American Union on the 30th.

C. OTHER ASPECTS OF UNITED STATES MILITARY SECURITY

1. Military Bases

Evacuation of Panama Canal Bases by United States

The Governments of the United States and Panama on December 10, after 16 months of negotiation, signed an agreement covering the use of 14 sites in Panama for the defense of the Canal, 13 locations for a period of five years and an important base at Rio Hato for ten years with an option for renewal of the lease for an additional ten years. This accord continued in general the agreement of May 1942 that had made available 134 defense sites to the United States during the war. The agreement carefully noted that:

> "... The United States and the Republic of Panama reiterate their understanding regarding the temporary character of the occupation of the defense sites to which this Agreement refers. Consequently, the United States, recognizing the importance of the cooperation rendered by Panama in making these temporary defense sites available, and also recognizing the burden which the maintenance of these sites signifies for the Republic of Panama, expressly undertakes to reach agreement with the latter upon the measures necessary in order that the evacuation of said sites will be effected no later than the date of expiration of the period stipulated with respect to each site ... or before, if in the opinion of the two Governments the causes and circumstances which have determined the maintenance of the defense sites should have ceased. ..."

Nevertheless, the terms of the Rio Hato agreement had raised serious objections in Panama, resulting in the protest resignation of Foreign Minister Ricardo Alfaro who refused to sign it. When the agreement was presented to the National Assembly for ratification on December 12 by the new Foreign Minister, Florencio Arosemena Forte, there were widespread student demonstrations and rioting in protest against it and the United States generally. These protests continued as the Assembly considered the agreement, its special committee reporting on the 19th in favor of a series of reservations which would have limited the length of the Rio Hato lease and otherwise restricted the authority of the United States within the defense sites. Even these proved unacceptable to the Assembly, however, which unanimously rejected the agreement on December 22. The resolution of disapproval stated:

> "The agreement signed in this city December 10 by the representatives of the Governments of Panama and the United States of America is not approved because the aforesaid agreement is not inspired in the principle of juridical equality of the contracting states and it does not follow the principles of international law and the spirit of the inter-American defense system."

Press comment in the United States on the rejection placed the blame partly on general nationalist and communist opposition to "Yankee imperialism," partly on the fear that once base rights had been granted for 20 years the

United States would never be willing to withdraw, and partly on domestic politics in Panama where an election campaign is being waged.

On the 23rd the United States Department of State issued a statement that necessary steps would be taken "immediately with a view to the evacuation of all sites in the Republic of Panama outside the Canal Zone where United States armed forces" were stationed. The statement declared:

> "Throughout the period of more than fifteen months during which negotiations for a defense sites agreement have taken place, the United States Government has endeavored at all times to share with the Government of Panama its estimates of the minimum defense needs of the Canal. It has been the constant aim of the United States negotiators to consult with the appropriate Panamanian authorities in all frankness with respect to the considerations underlying these estimates which have provided the basis for the recent defense proposals of this Government.
>
> "Substantial and repeated concessions were made during the lengthy negotiations on the agreement in an attempt to reconcile Panamanian desires with the defense requirements of the Canal. The negotiations were concluded in terms which were intended to take into account the legitimate interests of both countries.
>
> "Failure to conclude an agreement will not, of course, affect the normal friendly relations between the two countries."

As a consequence of United States withdrawal, Senator Dennis Chavez of New Mexico suggested, on December 24 (as the 2,000 American troops began leaving Panama), that a new canal be dug across the Isthmus of Tehuantepec--the narrowest Mexican corridor between the Atlantic and Pacific Oceans. Chavez recommended that "the negotiations should be based upon a strict understanding that the sovereignty of Mexico would be respected and that which is being done is unselfish from all standpoints." On the same day, the de facto President of Nicaragua and its Minister of War, Anastasio Somoza extended offers to cooperate with the United States should it decide to build a canal through Nicaragua. On the 26th, the Nicaraguan Government issued a statement declaring:

> "The possibility of this canal, which has been considered and studied for many years, has always been endorsed by the people of Nicaragua as it will decisively contribute to the defense of the United States and of the whole Western Hemisphere, and will also serve to enhance the channels of world trade."

APPENDIX

LIST OF SELECTED DOCUMENTS

The documents listed in this Appendix are the more important ones issued during December bearing primarily on the developments recorded in this Summary. The list, which generally follows the arrangement of headings in the Summary, has been largely restricted to materials of an official nature, and limitations of space have made it necessary to choose only a very few of the principal items. For additional reference purposes, full texts or excerpts can usually be found in various newspapers or periodicals.

PROBLEMS OF THE PEACE SETTLEMENTS

Statements by Secretary Marshall before the Council of Foreign Ministers, December 4 and 5, 1947. (Discussion on Austrian Question; Discussion of Economic Principles; German Economic Unity) Department of State Bulletin, Vol. XVII, No. 441, December 14, 1947, pp. 1183-1185, 1193.

Secretary Marshall's Statement on Reparations from Current Production before Council of Foreign Ministers, December 10, 1947, Department of State Bulletin, Vol. XVII, No. 442, December 21, 1947, pp. 1204-1205.

Statements by Secretary Marshall before the Council of Foreign Ministers, December 15, 1947. (Hope for Unified Germany and Austrian Independence; On Soviet Disagreement on Fundamental Principles for Germany; Proposal for Adjournment) Department of State Bulletin, Vol. XVII, No. 443, December 28, 1947, pp. 1247-1249.

Anglo-American Agreement Regarding Germany, December 17, 1947, Department of State Bulletin, Vol. XVII, No. 443, December 28, 1947, pp. 1262-1267.

Report by Secretary Marshall on the London Meeting of the Council of Foreign Ministers, December 19, 1947, Department of State Bulletin, Vol. XVII, No. 443, December 28, 1947, pp. 1244-1247.

ECONOMIC AND SOCIAL PROBLEMS

Interim Aid Bill as Referred to Committee on Foreign Affairs by House of Representatives, H.R. 4604, December 2, 1947.

Report Submitted to House of Representatives by Committee on Foreign Affairs Concerning Emergency Foreign Aid, December 2, 1947, House of Representatives Report No. 1152.

Ad Hoc Committee on Proposed Economic Commission for Latin America: Preliminary Report, United Nations Economic and Social Council, E/AC.21/15, December 10, 1947, including Annex I: Review of Economic Conditions Throughout Latin America, and Annex II: Factors Bearing Upon Scope and Functions of Proposed Economic Commission for Latin America, 56 pp.

Economic and Employment Commission, Sub-Commission on Economic Development Report, First Session - November 17 to December 16, 1947. United Nations Economic and Social Council unrestricted E/CN.1/47, December 18, 1947, 29 pp.

President Truman's Message to the Congress, December 19, 1947, A Program for United States Aid to European Recovery, Department of State Bulletin, Vol. XVII, No. 443, December 28, 1947, pp. 1233-1243.

Aid Essential to European Integrity and Independence by the Chairman of the U.S. Delegation to the United Nations Conference on Trade and Employment, Department of State Bulletin, Vol. XVII, No. 442, December 21, 1947, pp. 1211-1213.

Text of Joint British-Soviet Communiqué on the Trade Agreement, New York Times, December 28, 1947.

Text of President Truman's Statement on the Anti-Inflation Bill, New York Times, December 29, 1947.

POLITICAL PROBLEMS

United Nations Commission Adopts Articles of Declaration and Convention on Human Rights, United Nations Press Release SOC/307, December 17, 1947, 14 pp.

Trusteeship Council Round-up of First Part of Second Session, November 20 to December 16, 1947, United Nations Press Release TR/130, December 17, 1947, 7 pp.

Greece--The Crucible, Address by George C. McGhee, Coordinator for Aid to Greece and Turkey, Department of State Bulletin, Vol. XVII, No. 442, December 21, 1947, pp. 1206-1210.

SECURITY PROBLEMS

Senate Proceedings on Inter-American Treaty of Reciprocal Assistance, Congressional Record, Vol. 93, No. 159, December 8, 1947, pp. 11240-11255.

Text of Defense Sites Agreement Between the United States of America and the Republic of Panama, Department of State Press Release No. 967, December 12, 1947, 8 mimeographed pages.

Inter-American Treaty of Reciprocal Assistance Transmitted to the Senate (including President's Message of Transmittal and Report of the Acting Secretary of State), Department of State Bulletin, Vol. XVII, No. 441, December 14, 1947, pp. 1188-1191.

Documents Concerning the Closing of Eniwetok Atoll for Security Reasons to Conduct Atomic Experiments, Department of State Bulletin, Vol. XVII, No. 441, December 14, 1947, pp. 1174-1175.